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(The opinions expressed in articles in The Canadian Chartered Accountant are the opinions of the writers of the articles and are not necessarily endorsed by the Association.)

Editorial Comment

Taxation Statistics

The Taxation Division of the Department of National Revenue has produced a 36-page report which covers collections of Dominion income tax, excess profits tax and succession duties in recent years. Because of the interest of these figures to the entire accounting profession, all of them are reproduced in this issue with the exception of certain details by provinces. Any one desiring a copy may secure it for 25 cents from the Dominion Bureau of Statistics, Ottawa.

After so much criticism concerning delay in publishing such figures, the Department must now be approved for such a forward step in the matter of reporting. The only comment which appears to be justified on this point is that the report is dated 1944 and evidently could have been issued in that year or within a few weeks thereafter, but did not actually appear until June this year.

The report records a change in statistical policy, under which recording of assessments made in government fiscal years will be abandoned, for the quite legitimate reason that such assessments arise from income of various years, depending upon the dates when returns were due and the speed with which assessments were made. Thus in the

fiscal year commencing April 1st 1942 and ending March 31st 1943, which is the latest year covered by the report, there were assessments for years up to and including 1940, as well as 1941 and also a few for 1942. In future the Department proposes to arrange its statistics by taxation years, so that whenever a figure becomes available for 1944, for instance, it will record the collection of taxes on account of income of that year regardless of when the assessment is made. Pending the completion of assessments, estimates are to be issued.

In the matter of assessment work, the position of the department is not so good, the latest year to be disposed of, for all practical purposes, being the calendar year 1941. In a statement made on July 6th, Revenue Minister MacLaren said that assessments were being made at the rate of two million a year, but there still was a backlog of approximately one million before reaching the 1944 returns. These delayed assessments comprise 10,054 for 1941, 187,448 for 1942, and 794,248 for 1943, or a total of 991,750. There are estimated to be about 2,450,000 individual taxpayers and about 10,000 corporations now paying taxes in Canada. Any modification of course would reduce the number.

The task of tax collection was one of the biggest faced by the government and was further complicated by several schemes, such as compulsory savings, which are understood to have been originated as part of the government's war-time economic and financial control. However, now that skilled help is rapidly becoming available, through cessation of other activities and discharge of men from the armed forces, the public has a right to expect that the work will be speeded up. The timing of returns now made by employers, banks, dividend paying corporations, etc., should enable nearly all individual returns made by April 30th to be checked and assessed at some time within that calendar year, so that the taxpayer will have one year disposed of before he has to make his return for another, and a similar procedure should be possible with corporate assessments.

*Our Prospects
in Commerce*

International trade is especially important in our economic future, in the view of everyone except a very few radicals who hold that through currency management, collectivism or some other device, the tune of prosper-

ity can be called. Many pious hopes have been expressed, in the Atlantic charter and in later declarations, that the new world will be liberal in its trading viewpoint. Such a change, if it could be achieved by some simple international rule limiting protective tariffs and export subsidies to a moderate level, would, by outlawing such extreme restrictions as prevailed after the last war, do more than any volume of labor regulations or special agreements, to promote world prosperity and living standards. But the scarcities of the war period, and the advantages enjoyed by those countries which were neutral or relatively undisturbed, have permitted the establishment of many new interests which are liable to be most aggressive in striving to hold their ground. In India, for instance, native industry has taken over much that was formerly British owned, and throughout South America there has been a broadening in home production to replace what was formerly imported from the United States, Britain, Germany and Japan. Of special concern to Canada is the sacrifice of those British external investments which in the past produced an income which helped to sustain the standard of living and enabled the British to purchase Canadian foodstuffs and other products. Short of some effective international plan, it must be admitted that foreign commerce does not of itself offer enough to solve the problem of a high employment level in Canada.

*The D.A.C.A.
Annual Meeting*

Restrictions on travel and hotel accommodation, announced by the Dominion government recently, posed a problem on our association in connection with the annual meeting scheduled to be held in Winnipeg, but in view of the fact that an annual general meeting is required by our charter, and that general attendance outside of Council members is usually confined to members conveniently located, it was decided to go ahead with the plans. The meeting has been reduced to two days, however, by confining the general sessions to one half day, and a revised program has been mailed to members. It is hoped that those who do attend will find the meeting interesting and enjoyable, as the Manitoba Institute has exerted every effort to do the best under the existing circumstances.

Taxation Statistics In Canada

THROUGH the Taxation Division, Department of National Revenue, there were recently released taxation statistics covering tax collections in the 1917 to 1944 fiscal years, estimated distribution of individual taxpayers for the 1944 taxation year, and assessment statistics for the 1941-42 and the 1942-43 fiscal years.

The text of the report, and the principal tables, are reproduced below.

Income Tax, Excess Profits Tax and Succession Duties

New Basis of Compilation—In the published statement of 1943, notice was given that arrangements were under way for the publication of statistics on an income taxation year basis. This year's statement takes the initial step in that direction and later statements will complete the transition.

The decision to make the change is occasioned by the growing interest in income tax statistics from an economic and social standpoint. Formerly the statistics were in the nature of an administrative report covering the annual work accomplished by the Taxation Division of the Department of National Revenue during a government fiscal year. Now, it is believed that the statistics are of sufficient importance to be presented in the nature of a national report covering the income earned by, and the taxes levied on, all taxpayers in respect of a specific calendar or taxation year. All income tax statistics must relate to a period of time. Formerly the statistics related to the fiscal year in which the income was assessed by the department; thus, income earned in 1941 may be assessed in the 1942-43 fiscal year and becomes a part of the 1943 statistics. On the new basis the statistics will be related to the year in which the income is earned by the taxpayer and all incomes earned in 1941 will be combined to form the 1941 taxation year statistics regardless of when the assessments are made by the department. This describes the change of basis in its broadest aspect. A more detailed account is provided in the body of the report where brief textual comments accompany each statistical table. The reader is cautioned to give due attention to these comments before considering the quantitative tables.

The report is divided into three sections: Collection Statistics—No basic change in presentation from previous reports. Assessment Statistics on a Taxation Year Basis—New basis of presentation. Assessment Statistics on a Fiscal Year Basis—Old basis of presentation, continued for purposes of record only.

Collection Statistics—Collection statistics are gathered by the accounting section at the time the payments are made and therefore have the value of being very up to date. Their timeliness has been enhanced within the past two years by the adoption of the "pay-as-you-go" system which results in collecting tax substantially during the year in which the income is earned and, on the average, about ten months prior to the actual filing of an income tax return by the taxpayer. The payments on behalf of most taxpayers, however, are made by their employers and a cheque from one employer may cover the tax payments of hundreds of employees. At this stage therefore it is not possible to link the monies received to the individuals who are, in the final analysis, contributing the tax. Collection statistics, as such, are for this reason not capable of being closely related to the persons who are being taxed and any statistical tables which attempt to describe the taxpayer, such as by occupation or income class, must be based on the income tax return which is filed by the taxpayer many months after the payment of his tax.

Assessment Statistics on a Taxation Year Basis — A taxation year is a period of time during which income is received and becomes subject to tax at rates laid down in the "Income War Tax Act". In the case of individuals this period is almost always a calendar year and in the case of corporations it is the calendar year in which the corporation's fiscal period ends. The taxpayer's declaration of income for each taxation year is made on the official income tax return prescribed by the minister. "Assessment Statistics" are gathered from these income tax returns after the returns have been checked and verified or corrected by the assessing section.

Assessment statistics on a taxation year basis are a compilation of all statistics drawn from the assessed tax returns for a specific taxation year and the resulting table portrays the tax conditions in Canada for that specific year.

Hitherto the Department of National Revenue has not issued statistics on a taxation year basis but the first step in this direction is being made in the present report.

Assessment Statistics on a Fiscal Year Basis—A government fiscal year is a twelve-month period ending on March 31st in each year, the 1944 fiscal year consisting of the last nine months of 1943 and the first three months of 1944. In the past the Department of National Revenue has issued all assessment statistics on a fiscal year basis and the figures were drawn from all returns actually assessed during the twelve-month period regardless of which taxation year the assessments applied to; thus, the fiscal year statistics would consist of the partial statistics for several taxation years.

In practice, prior to the outbreak of war, the returns assessed in a given fiscal year, say 1939, would predominantly consist of returns covering the 1937 taxation year. This is understood by recalling that most returns for the 1937 taxation year would be filed early in 1938 and would be assessed during the last nine months of 1938 and the first three months of 1939, thus becoming embodied in the March 31, 1939, fiscal year statistics. On this basis, the statistics were called 1939 statistics because the assessments were completed by the administration during the 1939 fiscal year even though the incomes were earned in 1937. However, the 1939 fiscal year statistics would not be precisely related to the 1937 taxation year. Each year some taxpayers die and the executors file a return for the period of the year up to the time of death. The administration will assess these returns rapidly in order to permit the early settlement of the estate. This procedure results in a number of 1937 taxation year returns being assessed in the 1938 fiscal year. On the other hand, some 1937 taxation year returns might involve points of contention requiring protracted consultations with the taxpayer and in such a case the return might not be finally assessed until the 1940 fiscal year.

It will be readily understood from the above paragraph that the income tax administration at any point of time is simultaneously assessing the tax returns for several different taxation years and that any report which groups the statistics on the basis of when the assessment was com-

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pleted by the department will contain a mixture of figures from different taxation years.

The value of income tax statistics from a national standpoint is greatly impaired if the figures cannot be related to a specific taxation or calendar year and for this reason it has been decided to withhold the future publication of assessment statistics until they accurately reflect a given taxation or calendar year. In the present report, however, the statistics for the 1943 and 1942 fiscal years are again reported on the old basis for purposes of record.

SECTION I—COLLECTION STATISTICS

TABLE A

TOTAL ANNUAL COLLECTIONS

The Taxation Division of the Department of National Revenue administers three acts of the Dominion government, namely: the "Income War Tax Act" enacted 1917, "The Excess Profits Tax Act, 1940", "The Dominion Succession Duty Act" enacted 1941.

During the war of 1914-18 there was also enacted the "Business Profits War Tax Act" the administration of which was eventually merged with the Income War Tax Act administration. The Business Profits War Tax Act was substantially similar in intent to the present Excess Profits Tax Act and in the table below the collections under the two acts are placed in the same column but are so separated in time as to be clearly distinguishable in so far as revenues are concerned.

Annual collections under these acts are given below on a government fiscal year basis. All figures are given "net" after deducting refunds of any taxes in the same year.

ANNUAL COLLECTIONS OF THE TAXATION DIVISION DEPARTMENT OF NATIONAL REVENUE

Fiscal Year Ended March 31	Income Tax \$	Excess Profits Tax \$	Succession Duties \$	Total \$
1917	—	12,506,517	—	12,506,517
1918	—	21,271,084	—	21,271,084
1919	9,349,720	32,970,062	—	42,319,782
1920	20,263,740	44,145,184	—	64,408,924
1921	46,381,824	40,841,401	—	87,223,225
1922	78,684,355	22,815,667	—	101,500,022
1923	59,711,538	13,031,462	—	72,743,000
1924	54,204,028	4,752,681	—	58,956,709
1925	56,248,043	2,704,427	—	58,952,470
1926	55,571,962	1,173,449	—	56,745,411
1927	47,386,309	710,102	—	48,096,411
1928	56,571,047	956,031	—	57,527,078
1929	59,422,323	455,232	—	59,877,555

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Fiscal Year Ended March 31	Income Tax \$	Excess Profits Tax \$	Succession Duties \$	Total \$
1930	69,020,726	173,300	—	69,194,026
1931	71,048,022	34,430	—	71,082,452
1932	61,254,400	3,000	—	61,257,400
1933	62,066,697	54	—	62,066,751
1934	61,399,172	Nil	—	61,399,172
1935	66,808,066	"	—	66,808,066
1936	82,709,803	"	—	82,709,803
1937	102,365,242	"	—	102,365,242
1938	120,365,532	"	—	120,365,532
1939	142,026,138	"	—	142,026,138
1940	134,448,566	"	—	134,448,566
1941	248,143,022	23,995,269	—	272,138,291
1942	510,243,017	135,168,345	6,956,574	652,367,936
1943	910,188,672	454,580,677	13,273,483	1,378,042,832
1944	1,151,757,035	468,717,840	15,019,831	1,635,494,706
TOTALS	4,337,638,999	1,281,006,214	35,249,888	5,653,895,101

TABLE B
COST OF COLLECTIONS

The cost of collecting the revenues enumerated in Table "A" is given below. These costs include salaries, printing, travelling expenses, stationery, supplies, etc., but exclude building rentals and the rental value of space occupied in government-owned buildings. Refunds of taxes are deducted from collections and are therefore not included as a cost of administration.

COST OF COLLECTIONS

Fiscal Year Ended March 31	Total Annual Collections \$	Total Annual Cost \$	Percentage Cost of Collection
1917	12,506,517	58,175	0.46
1918	21,271,084	108,197	0.51
1919	42,319,782	495,798	1.17
1920	64,408,924	1,145,088	1.78
1921	87,223,225	1,935,988	2.24
1922	101,500,022	2,277,350	2.24
1923	72,743,000	2,040,461	2.80
1924	58,956,709	1,935,242	3.28
1925	58,952,470	1,693,025	2.87
1926	56,745,411	1,726,057	3.04
1927	48,096,411	1,719,760	3.58
1928	57,527,078	1,948,077	3.39
1929	59,877,555	2,124,910	3.55
1930	69,194,026	2,138,997	3.10
1931	71,082,452	2,156,439	3.03

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Fiscal Year Ended March 31	Total Annual Collections \$	Total Annual Cost \$	Percentage Cost of Collection
1932	61,257,400	2,131,151	3.48
1933	62,066,751	1,964,326	3.16
1934	61,399,172	1,913,894	3.12
1935	66,808,066	1,969,808	2.95
1936	82,709,803	2,114,358	2.56
1937	102,365,242	2,132,280	2.08
1938	120,365,532	2,254,961	1.87
1939	142,026,138	2,425,700	1.70
1940	134,448,566	2,488,268	1.85
1941	272,138,291	2,891,438	1.06
1942	652,367,936	3,839,989	0.59
1943	1,378,042,832	5,442,752	0.39
1944	1,635,494,706	7,959,762	0.49
TOTALS	5,653,895,101	63,032,251	1.11

TABLE C
SUBDIVISION OF COLLECTIONS

I

INCOME WAR TAX ACT—SUBDIVIDED

The Income War Tax Act levies several different taxes on incomes, a brief description of which follows below:

General Income Tax on Individuals—This constitutes the main source of personal income tax and is levied under section 9(1) of the Act. The rate structure is set forth in paragraphs A and AA of the first schedule to the Act.

General Income on Corporations—This is levied under section 9(2) of the Act at rates set forth in paragraphs C, D and E of the first schedule. The rate of tax has been unchanged since the 1940 taxation year at 18%, the rate for companies filing consolidated returns is 20%. Certain "Non-Resident Owned Investment Corporations" as defined in the Act are subject to a 22½% rate of tax.

Tax on Dividends and Interest—(A) If Paid to Residents in a Currency at a Premium in Excess of 5%—Under section 9B of the Act there is levied on residents of Canada a tax of 5% on interest and dividends paid by Canadian debtors if the payment is made in foreign currency which is at a premium in excess of 5%. (B) If Paid to Non-Residents—Under section 9B(2) of the Act there is levied a tax of 15% on non-residents of Canada in respect of all dividends, interest, copyright and certain other payments received from Canadian debtors. Interest on bonds issued or guaranteed by the Dominion of Canada is exempt from this tax and there are certain other qualifications not mentioned here.

15% Tax on Rents and Royalties Paid to Non-Residents—This tax is levied under section 27 of the Act and is imposed on the income of non-residents of Canada from rents and royalties received

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from Canadian sources. The tax is therefore very similar to the 15% tax levied under section 9B(2) which also applies to non-residents.

Gift Tax—Under section 88 of the Act a tax is levied on gifts at rates varying from 10% to 28%.

National Defence Tax—Under section 91 of the Act a "national defence tax" was imposed during the taxation or calendar years 1940 and 1941. The tax was deductible at the source from payments of salary, wages, dividends or interest beginning on July 1, 1940 and terminating on August 31, 1942. It was cancelled when a system of tax deduction at source for general income tax was introduced on September 1, 1942. All deductions made during the eight months from January 1 to August 31, 1942, were credited to the general income tax of the individual concerned.

Although it was levied under a separate section of the Act this tax, while it existed, was an integral and important part of the general structure for taxing individuals and for this reason is shown below as part of the general tax collected under section 9(1). This is considered a satisfactory method of revealing the growth of individual tax collections during the war period.

The actual collection of national defence tax during the life of the tax was as follows by months:

Month	Amount Collected \$	Rate of Deduction
August 1940	2,590	From July 1, 1940 to July 1, 1941—
September	4,678,658	Single person earning between
October	4,248,554	\$600 and \$1,200 annually—2% on
November	3,688,825	total income
December	3,437,010	Single person earning over \$1,200
January 1941	4,041,804	annually—3% on total income
February	3,656,489	Married person earning over \$1,200
March	3,918,087	annually—2% on total income.
April	3,658,945	
May	3,841,426	
June	4,072,745	
July	4,333,198	From July 1, 1941 to August 31, 1942—
August	8,727,481	Single person earning between
September	10,907,239	\$660 and \$1,200 annually—5% on
October	10,647,861	total income
November	11,487,369	Single person earning over
December	11,032,795	\$1,200 annually—7% on total income
January 1942	13,522,279	Married person earning over
February	11,102,487	\$1,200 annually—5% on total income.
March	13,302,922	
April	11,690,867	
May	13,141,181	
June	12,157,584	
July	12,769,308	
August	14,121,426	
September	12,793,272	
Balance	3,912,529	
Total Collected	214,894,931	

1942 Deferred Tax—During 1942 the collection of individual income tax was converted to a "pay-as-you-go" basis. In order to

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facilitate this conversion the rates of taxation for the year 1942 were cut in half except in the case of individuals having investment income in excess of \$3,000. In the case of such persons a "deferred tax" was levied under section 9A(1)(b) of the Act. This tax is payable upon the death of the taxpayer and therefore is designated as the "1942 deferred tax". The tax is imposed on investment income in excess of \$3,000 earned in the year 1942. The tax itself is non-recurring but revenues will be received from it for many years to come upon the death of those who were subject to the tax in 1942.

Until April 30, 1944, those liable for the deferred tax had the privilege of settling the liability immediately at a discount by paying the present value of the tax arrived at by the use of standard mortality tables and a 2% rate of interest. Collections of the deferred tax in the 1944 fiscal year therefore include payments from taxpayers who exercised this option during the year.

SUBDIVISION OF COLLECTIONS UNDER THE INCOME WAR TAX ACT

(For Fiscal Years ended March 31)

Year	GENERAL INCOME TAX		Dividends and Interest Sect. 9B	Tax On Rents and Royalties Sect. 27	Gift Tax Sect. 88	1942 Deferred Tax Sect. 9A (1) (b)	Total Income War Tax
	Individuals Sect. 9-1	Corporations Sect. 9-2					
	\$	\$	\$	\$	\$	\$	\$
1919	7,972,890	1,376,830	—	—	—	—	9,349,720
1920	13,195,314	7,068,426	—	—	—	—	20,263,740
1921	32,532,526	13,849,298	—	—	—	—	46,381,824
1922	39,820,597	38,863,758	—	—	—	—	78,684,355
1923	31,689,393	28,022,145	—	—	—	—	59,711,538
1924	25,657,335	28,546,693	—	—	—	—	54,204,028
1925	25,156,768	31,091,275	—	—	—	—	56,248,043
1926	23,849,475	31,722,487	—	—	—	—	55,571,962
1927	18,043,261	29,343,048	—	—	—	—	47,386,309
1928	23,222,891	33,348,156	—	—	—	—	56,571,047
1929	24,793,449	34,628,874	—	—	—	—	59,422,323
1930	27,237,502	41,783,224	—	—	—	—	69,020,726
1931	26,624,181	44,423,841	—	—	—	—	71,048,022
1932	24,772,846	36,481,554	—	—	—	—	61,254,400
1933	25,959,466	36,107,231	—	—	—	—	62,066,697
1934	29,183,715	27,385,822	4,829,635	—	—	—	61,399,172
1935	25,201,392	35,790,239	5,816,435	—	—	—	66,808,066
1936	32,788,746	42,518,971	7,207,601	—	194,485	—	82,709,803
1937	35,358,302	58,012,843	8,910,014	—	84,083	—	102,365,242
1938	40,070,942	69,768,605	10,152,088	—	373,897	—	120,365,532
1939	46,591,449	85,185,887	9,903,046	—	345,756	—	142,026,138
1940	45,008,858	77,920,002	11,121,632	—	398,074	—	134,448,566
1941	103,308,249(x)	131,565,710	12,282,259	759,957	226,847	—	248,148,022
1942	295,874,285(x)	185,835,699	26,642,106	1,626,669	264,258	—	510,243,017
1943	533,915,059(x)	347,969,723	26,710,946	1,369,851	223,093	—	910,188,672
1944	809,570,762	311,378,718	25,870,804	1,272,389	1,546,633	2,817,733	1,151,757,035
TOTALS	2,367,399,653	1,809,989,055	149,246,566	5,028,866	3,657,126	2,817,733	4,337,638,999

(x) Includes National Defence Tax imposed under Section 91 of the Act as explained in the text above.

II

THE EXCESS PROFITS TAX ACT, 1940—SUBDIVIDED

The Excess Profits Tax Act was imposed shortly after the outbreak of war in 1939 for the purpose of heavily taxing the excess business profits occurring in an expanded wartime economy. The Act applies to all forms of business enterprise whether conducted within a corporate, partnership or sole proprietorship structure.

Excess profits are defined as profits in excess of "standard profits". Standard profits are defined as the average profit earned in the three best years of the four-year standard period extending from 1936 to 1939 inclusive. Businesses which were depressed during the standard period may apply to the board of referees for the award of a standard profit based on some yardstick other than the actual profits of the business during the years 1936 to 1939.

The Excess Profits Tax Act is not confined only to the taxing of "excess profits" as defined above. The Act also imposes a tax on "total profits" as indicated below. The tax is levied under section 3 of the Act at rates laid down in the second schedule to the Act; these rates from 1940 to 1944 have been as follows:

EXCESS PROFITS TAX ON CORPORATIONS

- 1940—12% of total profits or 75% of excess profits whichever is greater.
- 1941—22% of total profits or 75% of excess profits whichever is greater.
- 1942—First six months—same tax rates as in 1941.
- 1942—Second six months—12% of total profits *plus* either 10% of total profits or 100% of excess profits whichever is greater.
- 1943—12% of total profits *plus* either 10% of total profits or 100% of excess profits whichever is greater.
- 1944—Unchanged from 1943.

Note: Corporations paying the 100% rate of tax on excess profits will have 20% of the tax refunded to them after the war. No part of the 12% or 10% tax on total profits is refundable and no part of the 75% rate of tax on excess profits in effect prior to July 1, 1942, is refundable.

Corporations having a taxable profit of less than \$5,000 before deduction of any salary or wages paid to a shareholder were not subject to the excess profits tax prior to July 1, 1942. After July 1, 1942, such corporations are subject only to the 12% tax on total profits.

EXCESS PROFITS TAX ON PARTNERSHIPS
OR INDIVIDUALS IN BUSINESS

- 1940—12% of total profits or 75% of excess profits whichever is greater.
- 1941—15% of total profits or 75% of excess profits whichever is greater.
- 1942—First six months—same tax rates as in 1941.
- 1942—Second six months—15% of total profits or 100% of excess profits whichever is greater.
- 1943—15% of total profits or 100% of excess profits whichever is greater.
- 1944—Unchanged from 1943.

Note: Taxpayers subject to the 100% rate of tax on ex-

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cess profits will have 20% of the tax refunded to them after the war.

Partnerships or sole proprietorships earning less than \$5,000 per year before deduction for proprietor's salaries are not subject to excess profits tax and in computing taxable income under the Act a maximum allowance of \$5,000 as a salary for each working proprietor is deductible.

In the table below the tax collections from partners or sole proprietors are listed under the heading "Individuals".

TABLE D
SUBDIVISION OF COLLECTIONS UNDER THE EXCESS
PROFITS TAX ACT, 1940 BY FISCAL YEARS

Year	Individuals \$	Corporations \$	Total \$
1941	147,989	23,847,280	23,995,269
1942	3,483,384	131,684,961	135,168,345
1943	11,380,178	443,200,499	454,580,677
1944	21,417,744	447,300,096	468,717,840
TOTALS	36,429,295	1,046,032,836	1,082,462,131

III

THE DOMINION SUCCESSION DUTY ACT

The Dominion Succession Duty Act came into force on June 14, 1941, and applied to the estates of all persons dying on or after that date. Estates of less than \$5,000 are wholly exempt from Dominion succession duty and estates of over \$5,000 are subject to varying exemptions ranging from \$20,000 for a widow to a minimum of \$1,000 per heir. The rates of duty also vary according to the relationship of the beneficiary to the deceased person. The range of succession duty is from 1% to 27%. Collections under the Act are not subdivided except on a provincial basis which is given under Table "E".

TABLE E
TAX COLLECTIONS BY PROVINCES
1942, 1943 and 1944 FISCAL YEARS

	TOTAL TAX COLLECTIONS		
	1942 \$	1943 \$	1944 \$
Prince Edward Island	912,841	1,723,750	2,274,882
Nova Scotia	14,690,032	31,404,762	41,972,053
New Brunswick	9,893,145	18,155,793	26,660,624
Quebec	200,522,959	434,742,868	492,710,468
Ontario	325,868,874	689,138,536	782,248,910
Manitoba	23,557,597	46,345,749	64,149,086
Saskatchewan	5,734,542	11,290,614	18,676,916
Alberta	15,255,346	29,185,685	48,230,819
British Columbia	55,530,474	115,345,851	156,984,799
Yukon	399,519	709,202	1,570,122
Head Office	2,607	22	16,027
TOTALS	652,367,936	1,378,042,832	1,635,494,706

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**INDIVIDUAL INCOME TAX
COLLECTIONS**

	1942	1943	1944
	\$	\$	\$
Prince Edward Island	483,893	591,347	1,157,775
Nova Scotia	8,884,184	16,310,837	26,797,390
New Brunswick	5,834,096	8,816,323	13,366,548
Quebec	79,187,566	149,319,074	210,354,179
Ontario	146,906,862	261,167,282	380,379,713
Manitoba	13,002,356	22,061,838	34,840,084
Saskatchewan	4,425,455	8,177,793	14,525,921
Alberta	9,886,505	16,357,848	32,143,747
British Columbia	26,979,023	50,646,780	95,109,123
Yukon	281,792	466,421	891,392
Head Office	2,553	16	4,890
TOTALS	295,874,285	533,915,059	809,570,762

**CORPORATION INCOME TAX
COLLECTIONS**

	1942	1943	1944
	\$	\$	\$
Prince Edward Island	263,733	815,994	549,933
Nova Scotia	2,655,727	5,263,936	3,944,078
New Brunswick	2,308,780	3,271,427	3,930,395
Quebec	69,046,153	131,067,863	127,786,553
Ontario	90,846,409	167,189,766	138,565,206
Manitoba	5,379,018	9,835,211	10,159,911
Saskatchewan	640,489	1,161,615	1,325,798
Alberta	2,934,560	6,127,392	6,651,768
British Columbia	11,729,942	23,185,431	18,149,497
Yukon	30,834	51,082	304,438
Head Office	54	6	11,137
TOTALS	185,835,699	347,969,723	311,378,714

**TAX ON DIVIDENDS AND INTEREST
—COLLECTIONS**

	1942	1943	1944
	\$	\$	\$
Prince Edward Island	54,827	25,981	74,497
Nova Scotia	132,740	142,245	137,976
New Brunswick	72,015	81,171	77,326
Quebec	8,370,613	8,313,456	8,023,661
Ontario	15,157,640	15,552,746	14,954,767
Manitoba	967,648	956,669	970,733
Saskatchewan	66,283	61,702	86,184
Alberta	139,143	285,787	215,077
British Columbia	1,648,613	1,284,369	1,125,569
Yukon	32,584	6,820	5,014
TOTALS	26,642,106	26,710,946	25,670,804

TAXATION STATISTICS IN CANADA

EXCESS PROFITS TAX COLLECTIONS			
	1942	1943	1944
	\$	\$	\$
Prince Edward Island	107,475	274,137	450,206
Nova Scotia	2,934,395	9,431,877	10,649,031
New Brunswick	1,605,100	5,842,460	8,520,253
Quebec	39,971,887	140,288,745	139,662,464
Ontario	68,930,877	238,067,692	238,642,308
Manitoba	4,065,485	13,116,342	17,884,757
Saskatchewan	535,986	1,740,872	2,522,022
Alberta	2,118,544	6,069,346	8,786,159
British Columbia	14,844,652	39,567,305	41,233,984
Yukon	53,944	181,901	366,656
TOTALS	135,168,345	454,580,677	468,717,840

SUCCESSION DUTY COLLECTIONS			
	1942	1943	1944
	\$	\$	\$
Prince Edward Island	2,138	15,727	40,843
Nova Scotia	79,129	249,199	399,371
New Brunswick	67,557	142,227	323,156
Quebec	3,371,435	5,193,092	4,288,815
Ontario	3,003,417	6,243,663	8,016,707
Manitoba	106,113	354,307	231,991
Saskatchewan	21,434	144,201	203,046
Alberta	102,282	304,337	361,129
British Columbia	202,884	624,912	1,154,933
Yukon	185	1,818	-160(x)
TOTALS	6,956,574	13,273,483	15,019,831

(x) Debit amount.

TABLE F

COLLECTIONS ON A "TAXATION YEAR" BASIS

(i.e. relating the tax back to the year in which the income was received)

The previous collection tables reflected the total taxes collected during a government fiscal year without regard to which particular taxation years the revenues apply. In the following table the collection of the more important taxes are re-arranged in order to reveal the revenues received for the account of each succeeding taxation year.

A taxation year is a period of time during which income is received and becomes subject to tax at rates laid down in the Act. In the case of individuals the taxation year is almost always a calendar year. In the case of a corporation the taxation year is the calendar year in which the company's fiscal period ends. Under the present system of collection, a substantial portion of the taxes is collected during the year in which the income is earned, that is to say, during the taxation year, and the balance is almost entirely collected in the two following years.

The general head office account for a taxation year is held open for statistical purposes for a period of three years. Thereafter, any

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taxes collected for a "closed" year are credited to a "Combined Years Account". As of March 31, 1944, general head office accounts were open for the taxation years 1944, 1943 and 1942 and the "combined account" was known as 1917-41. All collections in the combined account are, in the table below, credited to the last year in the combined account which in the case above is 1941. In the succeeding year the "combined account" will be known as 1917-42 and all the collections in this account for a twelve-month period will be credited to 1942. The collections received in the combined account are relatively small and as each taxation year eventually received the "combined" revenues for a twelve-month period it is not believed that this procedure in any way affects the comparative table and it has the advantage of permanently closing off a taxation year for general statistical purposes. It is not to be understood from the foregoing description that the account of an individual taxpayer is closed off for any taxation year until full payment is received.

The following table distributes the collections from individual and corporation income and excess profits tax on a taxation year basis. It will be noted that the collections for the last three years are still open.

INDIVIDUAL AND CORPORATION INCOME AND EXCESS PROFITS COLLECTIONS BY TAXATION YEARS

Taxation Year	INCOME TAX		EXCESS PROFITS TAX		TOTAL
	Individuals	Corporations	Individuals	Corporations	
	\$	\$	\$	\$	\$
1917	11,646,282	4,637,694	—	—	16,284,176
1918	18,451,139	7,958,131	—	—	26,409,270
1919	33,278,516	20,335,729	—	—	53,614,245
1920	39,214,266	35,730,601	—	—	74,944,867
1921	29,434,661	26,622,035	—	—	56,056,696
1922	24,656,682	26,862,248	—	—	51,518,930
1923	25,132,971	30,625,328	—	—	55,758,299
1924	24,531,166	31,631,290	—	—	56,162,456
1925	19,417,049	28,973,085	—	—	48,390,134
1926	21,474,946	31,195,304	—	—	52,670,250
1927	22,317,810	33,923,492	—	—	56,241,302
1928	26,059,863	41,658,016	—	—	67,717,879
1929	26,976,728	44,845,939	—	—	71,822,667
1930	26,748,223	37,294,532	—	—	64,042,755
1931	26,830,974	31,104,795	—	—	57,935,769
1932	28,590,083	26,499,449	—	—	55,089,532
1933	26,168,150	29,222,435	—	—	55,390,585
1934	34,134,623	44,524,671	—	—	78,659,294
1935	35,102,446	53,276,177	—	—	88,378,623
1936	39,653,609	67,149,110	—	—	106,802,719
1937	45,730,913	88,919,516	—	—	134,650,429
1938	42,358,966	74,076,529	—	—	116,435,495
1939	54,781,130	90,498,381	—	—	145,279,511
1940	152,245,616	151,394,634	4,533,451	102,518,315	410,692,016
1941	329,333,512	224,471,245	10,148,521	252,371,160	816,324,438
1942 (x)	397,636,630	279,370,614	14,934,778	369,280,577	1,061,222,599
1943 (x)	699,515,618	228,329,439	6,741,361	298,274,828	1,232,861,246
1944 (x)	105,977,081	18,858,436	71,184	23,587,956	148,494,657
TOTALS	2,367,399,653	1,809,989,055	36,429,295	1,046,032,836	5,259,850,839

(x) The accounts for these taxation years are not yet closed and the figures are therefore not yet complete. There will be a small change in the 1942 account and substantial additions to the 1943 and 1944 accounts.

TAXATION STATISTICS IN CANADA

SECTION II—ASSESSMENT STATISTICS ON A TAXATION YEAR BASIS

In the introduction to this report it was stated that a change is contemplated in the future presentation of income tax statistics. It is proposed to present assessment statistics on a taxation year basis so that all taxpayers for a specific taxation or calendar year together with their income and the tax resulting from that income can be shown in a single table. The development of such a table cannot be completed until all the tax returns for a specific year are assessed or otherwise accounted for. It is expected that the first report on such a basis will cover the 1941 taxation year and will be available by the summer of 1945, i.e. three years after all 1941 returns have been received.

It is realized, however, that for the purposes of study in the field of taxation and social reconstruction, information of a much more current nature is immediately required. The department has therefore prepared an estimate of the current statistical position with regard to individual income tax showing the estimated number of individuals subject to income tax together with estimates of their total income, total tax payable and the amount refundable for the 1944 taxation year or calendar year. Current estimates of this nature will be continued from year to year.

Persons using or extracting information from this table are cautioned to bear in mind that the figures are estimates. In view of the rapidly changing tax conditions of the past few years it has not been possible to use statistics of previous years as a guide to any great extent. The estimate has been prepared with care but several assumptions have been necessary in compiling it and it is to be expected that the eventual figures for 1944 will differ in some degree from the estimate.

It will be recalled that the savings element or "refundable portion" of individual income tax was eliminated by parliament as of July 1, 1944. This change has been taken into account in arriving at the estimate below. The amount of refundable tax is estimated at \$74,000,000 for the first six months of 1944.

TABLE A
ESTIMATED DISTRIBUTION OF INDIVIDUAL INCOME TAX-
PAYERS BY INCOME CLASSES, TAXATION YEAR 1944.

Income Class	Taxpayers	Taxable Income	Total Tax Payable	Total Amount Refundable	Net Amount Retainable
	No.	\$	\$	\$	\$
Below \$700	39,000	26,000,000	550,000	100,000	450,000
\$ 700— 800	112,000	84,000,000	5,600,000	1,400,000	4,200,000
800— 900	120,000	101,000,000	8,750,000	2,200,000	6,550,000
900— 1,000	114,000	107,000,000	11,100,000	2,600,000	8,500,000
Below \$1,000	385,000	318,000,000	26,000,000	6,300,000	19,700,000
\$ 1,000—\$ 1,100	93,000	97,000,000	11,800,000	2,400,000	9,400,000
1,100— 1,200	85,000	98,000,000	13,100,000	2,400,000	10,700,000
1,200— 1,300	143,000	179,000,000	12,800,000	2,000,000	10,800,000
1,300— 1,400	144,000	194,000,000	14,600,000	2,200,000	12,400,000

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Income Class	Taxpayers No.	Taxable Income \$	Total Tax Payable \$	Total Amount Refundable \$	Net Amount Retainable \$
1,400—1,500	146,000	212,000,000	16,500,000	2,500,000	14,000,000
1,500—1,600	146,000	227,000,000	18,200,000	2,700,000	15,500,000
1,600—1,700	143,000	236,000,000	19,100,000	2,700,000	16,400,000
1,700—1,800	133,000	242,000,000	20,800,000	3,100,000	17,700,000
1,800—1,900	132,000	243,000,000	22,400,000	3,300,000	19,100,000
1,900—2,000	120,000	234,000,000	23,700,000	3,400,000	20,300,000
\$1,000—\$2,000	1,290,000	1,962,000,000	173,000,000	26,700,000	146,300,000
\$ 2,000—2,100	110,000	225,000,000	23,600,000	3,300,000	20,300,000
2,100—2,200	95,000	205,000,000	23,100,000	3,200,000	19,900,000
2,200—2,300	84,000	188,000,000	22,600,000	3,100,000	19,500,000
2,300—2,400	70,000	165,000,000	20,900,000	2,900,000	18,000,000
2,400—2,500	57,000	139,000,000	18,700,000	2,500,000	16,200,000
2,500—2,600	48,000	121,000,000	17,000,000	2,300,000	14,700,000
2,600—2,700	41,000	108,000,000	15,800,000	2,000,000	13,800,000
2,700—2,800	35,000	96,000,000	14,600,000	1,800,000	12,800,000
2,800—2,900	30,000	84,000,000	13,800,000	1,600,000	12,200,000
2,900—3,000	25,000	73,000,000	12,400,000	1,400,000	11,000,000
\$2,000—\$3,000	595,000	1,404,000,000	182,500,000	24,100,000	158,400,000
\$ 3,000—\$ 4,000	80,000	271,000,000	52,100,000	4,900,000	47,200,000
4,000—5,000	35,000	155,000,000	37,100,000	2,800,000	34,300,000
\$3,000—\$5,000	115,000	426,000,000	89,200,000	7,700,000	81,500,000
\$ 5,000—\$ 6,000	19,000	103,000,000	28,300,000	1,900,000	26,400,000
6,000—7,000	11,600	74,000,000	22,600,000	1,400,000	21,200,000
7,000—8,000	8,200	61,000,000	20,100,000	1,200,000	18,900,000
8,000—9,000	5,400	46,000,000	15,800,000	800,000	15,000,000
9,000—10,000	4,000	38,000,000	14,000,000	800,000	13,200,000
\$5,000—\$10,000	48,200	322,000,000	100,800,000	6,100,000	94,700,000
\$10,000—\$15,000	9,000	107,000,000	44,900,000	1,800,000	43,100,000
15,000—20,000	3,400	58,000,000	29,000,000	600,000	28,400,000
20,000—25,000	1,500	34,000,000	18,100,000	300,000	17,800,000
\$10,000—\$25,000	13,900	199,000,000	92,000,000	2,700,000	89,300,000
\$25,000—\$50,000	2,250	78,000,000	48,800,000	265,000	48,535,000
50,000—100,000	500	35,000,000	25,300,000	100,000	25,200,000
Over \$100,000	150	23,000,000	18,400,000	35,000	18,365,000
GRAND TOTAL	2,450,000	4,767,000,000	756,000,000	74,000,000	682,000,000

In arriving at the tax estimates contained in the preceding table it was necessary to estimate the distribution of taxpayers by marital status and number of dependents within each income group. For those who may be interested in this information the approximate basis used is given below. The contractions "Dep't." or "Dep'ts." signify full words "dependant" or "dependants."

TABLE B
ESTIMATED NUMBER OF TAXPAYERS, TAXATION YEAR 1944

INCOME CLASS	Single No Dep't.	Single One Dep't.	Single Over One Dep't.	Married No Dep't.	Married One Dep't.	Married Two Dep't.	Married Three Dep't.	Married Four Dep't.	Married Five Dep't.	Married Over Five Dep't.	GRAND TOTAL
Below \$700	37,100	1,900	—	—	—	—	—	—	—	—	39,000
700—	106,400	5,600	—	—	—	—	—	—	—	—	112,000
800—	112,800	6,000	1,200	—	—	—	—	—	—	—	120,000
900—	106,600	5,700	1,700	—	—	—	—	—	—	—	114,000
1,000—	87,000	4,600	1,400	—	—	—	—	—	—	—	93,000
1,100—	79,500	4,200	1,300	—	—	—	—	—	—	—	85,000
1,200—	57,500	3,200	800	27,300	25,300	19,600	9,300	—	—	—	143,000
1,300—	43,100	2,300	700	32,500	30,300	23,600	11,500	—	—	—	144,000
1,400—	35,500	1,900	600	35,300	33,600	25,800	12,700	—	—	—	146,000
1,500—	28,600	1,600	500	38,400	36,100	27,300	13,500	—	—	—	146,000
1,600—	22,700	1,200	400	37,500	35,200	26,600	13,300	6,100	—	—	143,000
1,700—	19,300	1,100	300	37,300	34,500	26,100	13,200	6,200	—	—	138,000
1,800—	17,300	900	300	35,600	33,000	26,500	13,100	6,300	—	—	132,000
1,900—	14,700	700	200	32,600	30,300	23,400	12,100	6,000	—	—	120,000
2,000—	12,300	700	200	29,400	27,200	21,000	10,800	5,400	3,000	—	110,000
2,100—	9,800	500	200	25,700	23,600	18,300	9,500	4,700	2,700	—	95,000
2,200—	7,900	425	75	23,500	20,700	16,400	8,400	4,200	2,400	—	84,000
2,300—	6,400	425	75	19,700	17,300	13,600	7,000	3,500	2,000	—	70,000
2,400—	5,200	250	50	16,100	14,000	11,000	5,400	2,800	1,500	700	57,000
2,500—	4,100	250	50	13,600	11,800	9,300	4,500	2,400	1,300	700	48,000
2,600—	3,400	250	50	11,800	10,000	7,900	3,900	2,000	1,000	700	41,000
2,700—	2,900	160	40	10,200	8,500	6,800	3,300	1,600	800	700	35,000
2,800—	2,500	170	30	9,200	7,300	5,700	2,600	1,200	700	600	30,000
2,900—	2,000	175	25	7,900	6,000	4,800	2,200	900	500	500	25,000
3,000—	4,400	300	50	17,300	13,100	10,300	4,700	1,900	1,000	950	54,000

(Continued on next page)

TABLE B (Continued)
ESTIMATED NUMBER OF TAXPAYERS, TAXATION YEAR 1944

INCOME CLASS	Single No. Dep'ts.	Single One Dep't.	Single Over One Dep't.	Married No. Dep'ts.	Married One Dep't.	Married Two Dep'ts.	Married Three Dep'ts.	Married Four Dep'ts.	Married Five Dep'ts.	Married Over Five Dep'ts.	GRAND TOTAL
3,500—4,000	2,200	125	25	8,300	6,300	4,900	2,300	900	500	450	28,000
4,000—4,500	1,800	100	20	6,700	5,100	4,000	1,800	700	400	380	21,000
4,500—5,000	1,400	80	20	4,500	3,200	2,600	1,200	500	250	250	14,000
5,000—6,000	2,000	100	40	6,000	4,300	3,600	1,700	700	300	260	19,000
6,000—7,000	1,400	70	30	3,700	2,500	2,100	1,000	500	170	130	11,600
7,000—8,000	1,100	60	20	2,600	1,600	1,500	700	400	130	90	8,200
8,000—9,000	800	30	10	1,700	1,000	1,000	500	240	70	50	5,400
9,000—10,000	700	30	10	1,300	700	600	370	200	60	30	4,000
10,000—15,000	1,700	90	30	2,800	1,600	1,400	800	380	120	80	9,000
15,000—20,000	800	40	10	1,000	600	500	270	120	40	20	3,400
20,000—25,000	460	20	10	450	240	190	80	30	20	Nil	1,500
25,000—50,000	900	50	10	600	300	230	90	50	20	"	2,250
50,000—100,000	280	15	5	110	35	25	20	10	Nil	"	500
Over \$100,000	100	5	Nil	25	5	5	5	5	"	"	150
TOTALS	844,640	45,320	10,485	501,285	445,280	345,650	171,835	59,935	18,980	6,590	2,450,000

SECTION III—ASSESSMENT STATISTICS ON A GOVERNMENT FISCAL YEAR BASIS

In the past the department has issued assessment statistics on a government fiscal year basis. It was explained in the introduction to this report that these statistics in general related to incomes earned two years previous to the date of the particular fiscal year and that in this way the statistics could be satisfactorily linked to a specific taxation year although the connection was never a precise one.

Since the outbreak of war the number of returns to be assessed has increased so rapidly that it has not been possible to clear all returns in a twelve-month span of time. Certain taxpayers joined the armed services and were not readily available to clarify points requiring attention by the assessor. There has also been a considerable movement in the working population which has retarded the normal speed of assessing. Most important of all, the actual filing date for tax returns which was April 30 in the case of 1940 taxation year returns was altered to March 31 for the 1941 return, to June 30 for the 1942 return and then back to April 30 in the case of the 1943 return. All these factors have combined to upset the relationship between the returns assessed in a certain fiscal year and the returns filed for a certain taxation year.

As stated in Section II of this report it has been decided in the future to withhold the publication of assessment statistics until all the returns for a specific taxation year have been assessed and assembled into a single report. For purposes of record, however, the statistics for the 1942 and 1943 fiscal years are included in this report and in each case there is a preliminary statement showing the composition of the statistics with respect to specific taxation years.

1942-43 FISCAL YEAR ASSESSMENT STATISTICS

During the government fiscal year 1942-43, ending on March 31, 1943, there were assessed 642,126 individual tax returns and 9,956 corporation tax returns. These returns were distributed as follows by taxation years.

	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Individual assessments relating to the 1940 taxation year or earlier	316,468	788,769,066	67,959,268
Individual assessments relating to the 1941 taxation year	325,126	636,812,924	47,935,098
Individual assessments relating to the 1942 taxation year	532	1,144,309	194,421
Total individual assessments made in the 1942-43 fiscal year	642,126	1,426,726,299	116,088,787
Corporation assessments relating to the 1940 taxation year or earlier	6,573	378,706,862	59,629,407
Corporation assessments relating to the 1941 taxation year	3,273	63,352,394	11,187,810
Corporation assessments relating to the 1942 taxation year	109	960,068	181,277
Corporation assessments relating to the 1943 taxation year	1	—	100
Total corporation assessments made the 1942-43 fiscal year	9,956	443,019,324	70,998,594

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TABLE A
1942-43 Assessment Statistics
DISTRIBUTION OF INDIVIDUAL ASSESSMENTS BY
INCOME CLASSES

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Below \$1,000	124,331	107,173,705	1,467,843
\$ 1,000 to 2,000	275,988	405,912,666	14,067,011
2,000 to 3,000	143,282	344,028,317	13,183,215
3,000 to 4,000	47,628	162,578,530	9,300,973
4,000 to 5,000	19,259	85,603,179	6,766,163
5,000 to 6,000	9,691	52,819,025	5,205,533
6,000 to 7,000	5,688	36,661,266	4,399,151
7,000 to 8,000	3,788	28,215,461	3,975,808
8,000 to 9,000	2,537	21,563,534	3,433,831
9,000 to 10,000	1,896	17,980,565	3,155,170
10,000 to 15,000	4,378	52,479,982	11,251,407
15,000 to 20,000	1,599	27,453,601	7,367,102
20,000 to 25,000	714	16,026,700	4,913,193
25,000 to 30,000	388	10,616,188	3,371,908
30,000 to 35,000	227	7,488,068	2,431,657
35,000 to 40,000	162	5,931,214	2,085,628
40,000 to 45,000	119	5,067,966	1,906,583
45,000 to 50,000	82	3,864,965	1,457,247
Over \$50,000	369	35,261,367	16,349,364
TOTALS	642,126	1,426,726,299	116,088,787

TABLE B
1942-43 Assessment Statistics
DISTRIBUTION OF INDIVIDUAL ASSESSMENTS BY
OCCUPATIONAL CLASSES

Occupational Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Agrarians	3,569	8,678,668	440,212
Professional	11,453	52,811,174	6,597,031
Employees	565,996	1,128,786,854	71,133,772
Merchants	23,532	78,914,757	5,907,229
Manufacturers	1,130	5,755,529	735,241
Natural Resources	394	1,380,777	127,349
Financial	19,064	77,243,866	14,499,999
Personal Corporations	575	16,248,363	6,613,263
All Others	16,413	56,906,311	10,034,691
TOTALS	642,126	1,426,726,299	116,088,787

TAXATION STATISTICS IN CANADA

TABLE C

1942-43 Assessment Statistics

DISTRIBUTION OF CORPORATION ASSESSMENTS BY INCOME CLASSES

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Below \$1,000	3,600	1,315,033	227,385
\$ 1,000 to 2,000	1,352	1,894,319	326,154
2,000 to 3,000	744	1,850,816	314,632
3,000 to 4,000	546	1,902,155	323,488
4,000 to 5,000	467	2,099,784	361,468
5,000 to 10,000	980	6,981,109	1,183,760
10,000 to 15,000	455	5,581,139	942,699
15,000 to 20,000	267	4,801,615	798,497
20,000 to 25,000	161	3,653,010	606,141
25,000 to 50,000	516	18,484,627	3,017,898
50,000 to 100,000	381	28,001,695	4,502,332
100,000 to 500,00	378	82,299,213	13,238,711
Over \$500,000	108	284,153,613	45,155,214
TOTALS	9,956	443,019,324	70,998,594

TABLE D

1942-43 Assessment Statistics

DISTRIBUTION OF CORPORATION ASSESSMENTS BY OCCUPATIONAL CLASSES

Occupational Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Agrarians	88	1,156,515	187,644
Merchants	3,515	47,435,541	7,971,181
Manufacturers	2,351	289,148,652	45,801,094
Natural Resources	182	25,827,636	4,344,486
Financial	1,642	25,600,122	3,724,950
Public Utilities	534	36,313,482	6,059,598
All Others	1,643	17,636,180	2,909,426
TOTALS	9,956	443,019,324	70,998,594

THE CANADIAN CHARTERED ACCOUNTANT

1941-42 FISCAL YEAR ASSESSMENT STATISTICS

During the government fiscal year 1941-42, ending on March 31, 1942, there were assessed 387,725 individual tax returns and 9,178 corporation tax returns. These returns were distributed as follows by taxation years.

	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Individual assessments relating to the 1939 taxation year or earlier	95,249	370,885,189	25,445,416
Individual assessments relating to the 1940 taxation year	291,931	580,703,774	30,120,154
Individual assessments relating to the 1941 taxation year	545	1,368,023	190,246
Total individual assessments made in the 1941-42 fiscal year	387,725	952,956,986	55,755,816
Corporation assessments relating to the 1939 taxation year or earlier	4,974	247,494,654	34,872,387
Corporation assessments relating to the 1940 taxation year	4,097	112,236,639	18,893,975
Corporation assessments relating to the 1941 taxation year	105	1,740,249	278,812
Corporation assessments relating to the 1942 taxation year	2	96,198	3,875
Total corporation assessments made in the 1941-42 fiscal year	9,178	361,567,740	54,049,049

TABLE E

1941-42 Assessment Statistics

DISTRIBUTION OF INDIVIDUAL ASSESSMENTS BY INCOME CLASSES

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Below \$1,000	62,265	53,323,915	431,457
\$1,000 to 2,000	167,524	243,307,118	4,551,181
2,000 to 3,000	83,592	201,354,674	4,186,986
3,000 to 4,000	32,542	112,045,827	3,367,121
4,000 to 5,000	14,403	64,136,828	2,721,363
5,000 to 6,000	8,390	46,000,914	2,386,401
6,000 to 7,000	4,988	32,285,653	2,052,185
7,000 to 8,000	3,219	24,098,482	1,785,781
8,000 to 9,000	2,318	19,746,820	1,663,039
9,000 to 10,000	1,574	14,886,996	1,503,548
10,000 to 15,000	3,768	46,085,675	5,719,885
15,000 to 20,000	1,391	24,260,230	4,052,090
20,000 to 25,000	679	15,307,417	3,012,751
25,000 to 30,000	317	8,689,508	1,917,643

TAXATION STATISTICS IN CANADA

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
30,000 to 35,000	203	6,615,865	1,632,587
35,000 to 40,000	130	5,141,256	1,395,335
40,000 to 45,000	79	3,381,605	927,606
45,000 to 50,000	62	3,050,871	877,571
Over \$50,000	281	29,237,332	12,075,538
TOTALS	387,725	952,956,986	56,260,068
DEBIT ADJUSTMENT			504,252
NET TOTAL			55,755,816

TABLE F

1941-42 Assessment Statistics

DISTRIBUTION OF INDIVIDUAL ASSESSMENTS BY OCCUPATIONAL CLASSES

Occupational Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Agrarians	1,488	4,201,323	150,103
Professionals	7,757	38,820,976	3,752,189
Employees	339,063	723,361,119	28,465,419
Merchants	12,920	51,221,114	2,803,498
Manufacturers	1,021	5,887,632	509,500
Natural Resources	241	926,180	42,032
Financial	12,503	68,890,887	10,588,396
Personal Corporations	507	15,339,257	5,336,692
All Others	12,225	44,308,498	4,622,239
TOTALS	387,725	952,956,986	56,260,068
DEBIT ADJUSTMENT			504,252
NET TOTAL			55,755,816

TABLE G

1941-42 Assessment Statistics

DISTRIBUTION OF CORPORATION ASSESSMENTS BY INCOME CLASSES

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Below \$1,000	1,688	555,399	96,146
\$ 1,000 to 2,000	2,519	1,970,205	315,008
2,000 to 3,000	586	1,472,697	236,120

THE CANADIAN CHARTERED ACCOUNTANT

Income Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
3,000 to 4,000	406	1,447,592	231,362
4,000 to 5,000	358	1,639,684	261,172
5,000 to 10,000	946	6,937,000	1,075,740
10,000 to 15,000	519	6,427,000	981,204
15,000 to 20,000	284	4,984,987	753,062
20,000 to 25,000	242	5,594,242	854,384
25,000 to 50,000	613	22,180,042	3,328,892
50,000 to 100,000	471	33,663,461	4,943,793
100,000 to 500,000	428	95,378,947	14,442,101
Over \$500,000	105	179,103,772	27,245,996
TOTALS	9,178	361,567,740	54,806,973
DEBIT ADJUSTMENT			757,924
NET TOTAL			54,049,049

TABLE H

1941-42 Assessment Statistics

DISTRIBUTION OF CORPORATION ASSESSMENTS BY
OCCUPATIONAL CLASSES

Occupational Class	Taxpayers Assessed No.	Total Income Assessed \$	Total Tax Assessed \$
Agrarians	67	497,468	78,281
Merchants	2,745	39,302,508	6,141,947
Manufacturers	2,234	194,698,976	29,741,869
Natural Resources	188	24,130,760	3,895,382
Financial	2,016	48,720,310	6,475,188
Public Utilities	440	27,011,584	4,242,879
All Others	1,488	27,206,134	4,231,427
TOTALS	9,178	361,567,740	54,806,973
DEBIT ADJUSTMENT			757,924
NET TOTAL			54,049,049

ANNUAL MEETING PROGRAM

Annual Meeting Program (Revised)

Council and Special Committee Functions

Monday, August 20

- 10.00 a.m. Executive Committee
- 2.30 p.m. Council
- 7.30 p.m. Committee on Education and Examinations

Tuesday, August 21

- 10.00 a.m. Council
- 12.15 p.m. Dominion President's Luncheon for Dominion Council
- 4.30 p.m. Council (final meeting)
- 5.00 p.m. Executive Committee

General Sessions and Social Functions

Monday, August 20

- 3.00 p.m. Ladies' Afternoon Tea at Government House

Tuesday, August 21

- 9.00 a.m. Registration
- 2.30 p.m. General Session
 - Address of Welcome, President's Report,
and Other General Business
- 7.30 p.m. Dinner and Dance for all Members and their Ladies
(dress strictly informal)

INCOME FROM AIRCRAFT OPERATION

An income tax provision for reciprocal exemption of income from ships owned or operated by non-residents is extended to aircraft by an order in council (P.C. 4754) dated July 5, 1945, reading as follows:

Whereas by paragraph (m) of subsection 1 of section 4 of the Income War Tax Act, Chapter 97, R.S.C. 1927, as enacted by section 3 of Chapter 12 of the statutes of 1928, it is provided that the income from the operation of ships owned or operated by a non-resident person or corporation shall be exempt from Canadian income tax, provided that the country where such person or corporation resides grants an exemption in respect of income earned therein from the operation of ships owned or operated by a person or corporation resident in Canada which in the opinion of the Minister is fairly reciprocal to the exemption herein provided and that the Minister may give effect to this exemption in any case from the date, past or future, on which the exemption, granted by the country where the person or corporation aforesaid resides, took effect.

And whereas it is deemed expedient that the said paragraph (m) should be extended to include the income from the operation of aircraft in like manner to that afforded shipping.

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of National Revenue, concurred in by the Minister of Finance and the Minister of Reconstruction, and under and by virtue of the powers conferred by the War Measures Act, is pleased to amend paragraph (m) of subsection 1 of section 4 of the Income War Tax Act, as enacted by section 3 of chapter 12 of the Statutes of 1928, and it is hereby amended by inserting the words "or aircraft" after the word "ships" wherever the word "ships" occurs in the said paragraph (m).

AUGUST 1945.

Quebec Society Addresses

At annual meeting of The Society of Chartered Accountants of the Province of Quebec held June 27th, 1945.

ADDRESS OF RETIRING PRESIDENT

By H. C. Hayes, C.A.

IN addition to those members of council who have been elected by acclamation, I would report at this time that Mr. T. Lowe Ferguson has resigned from the council due to his return to Europe to re-establish his practice there. Mr. T. V. Burke of Messrs. Price, Waterhouse & Co., has been appointed to council under the provisions of the by-laws to serve for the balance of Mr. Ferguson's term.

I offer my congratulations to the new members of council on their election. During recent years the work has increased steadily, both as a result of increased membership and due to the additional services which have been furnished to the members. Calls on council members and other members of the Society have been particularly heavy during the past year and will continue so for some time to come as a result of the problems arising out of students and members returning from the armed forces.

In recent times a large number of members who are not on council have served on committees. This has not only tended to lighten to some extent the work which would otherwise have to be performed by members of council, but has given the Society the benefit of the judgment and experience of a much larger group.

During the past year a number of important matters were dealt with, some of which were brought to a conclusion, others remain to be finally settled and there is every indication that the coming year will be one of the most important in the annals of the Society. I know that you will find the work interesting and constructive and the associations pleasant.

The work of the Society and council has been reviewed at some length in the printed report which has been sent to members. Last year Mr. Elderkin in his address presented a comprehensive survey of the work of previous years which served as an excellent background from which to view the present situation. Under the circumstances, it is not my intention to deal with the matters covered in the report, except for two items, namely, the rehabilitation of

students and members and the suggested legislation concerning the practice of accountancy.

The Returning Student

As outlined in the report, a special committee was appointed to determine what steps the Society could take to assist members and students re-establishing themselves on their return from the services.

Out of a total of 802 members, 87 were serving in the armed forces as at the 31st May 1945. Out of a total student enrolment of 563, 217 were in the services at the 31st May. You will see from these figures that the problem, particularly as it relates to students, is an important one from the Society's point of view as well as from that of the practising firms who will be called upon to absorb these men.

The Society had already decided to grant certain service exemptions to students who had been in the armed forces. While the courses which are being put on by McGill and other universities will, undoubtedly, be most helpful to those who are able to take advantage of the universities' proposals, it was felt that for one reason or another a number of returning students would be unable to go to a university and would wish to commence work in offices immediately upon their return. A review of the situation indicated that it was impractical to speed up the evening courses which are now provided for students. It was evident, therefore, that if those students who commenced work in offices immediately upon their return from the forces were to obtain any benefit from the service exemptions, some other courses of instruction must be provided.

It was with this in mind that the special committee recommended and the council approved the establishment of the correspondence courses referred to in the annual report.

I want to take this opportunity of expressing my appreciation to the members of the special committee and the correspondence course committee for their contribution to the Society. During the coming years the operation of this correspondence course and other problems relating to men returning from service in the armed forces will require a great deal of work, not only by the committee as it would be unfair for them to assume the whole burden, but by

many members of the Society at large. It is felt that the correspondence courses may be supplemented by special lectures on particular subjects from time to time and I would bespeak the whole-hearted support of the members of the Society in order to make this course a success and so that we may provide the returning men with every opportunity of completing their educational requirements in the shortest possible time. It is felt that the final courses in accounting and auditing particularly will be of use as refresher courses for members who had joined the services shortly after obtaining their degree or for those members who had obtained their degree while serving in the forces.

Charter Proposals

The proposed legislation affecting the practice of accountancy in the Province was discussed at a special general meeting of the Society.

As outlined in the report a draft bill was prepared by the special committee with the assistance of the Society's legal advisers and a copy of that bill was sent to members for their consideration and suggestions. No action was taken at the last session of the legislature. We have been informed that the matter will again be considered at the next session and council has recommended that the special committee be continued. A meeting has been arranged with the Society's legal adviser and the special counsel retained in connection with this legislation to discuss the events of the last session and to consider what course of action the Society should follow. I do not think that there is any point at this time in asking the meeting for any direction in the matter. Pending the aforementioned discussion with counsel, we are not in a position to furnish any additional information which would be of interest or help to the members in their consideration of the matter.

Taxation

In addition to the foregoing matters which are of direct and personal interest to us as members of the Society, there is another subject which is also not only of vital interest to each one of us as individuals, but is of primary importance to every Canadian. I refer to the subject of taxation. This is a matter of concern to us in our professional capacity as well as in our quality as citizens. It is fast becoming the most important single phase of the accountant's

work. There is, perhaps, no other single phase of government policy which can have such direct and important effect on this country's ability to provide maximum employment in the postwar period. Inequalities and inequities existed prior to the war but the percentage of the national income taken by the tax gatherer did not represent a serious part of the total and these did not show up in such glaring relief as they have under high tax rates.

The allocation of taxing powers has remained unchanged since the passing of the B.N.A. Act, except for special arrangements which have been made for the duration of the war. At the time the B.N.A. Act came into being, the services required of the government were relatively unimportant and inexpensive. In theory the Act provided that certain definite tax fields were reserved for the provinces and the Dominion field was left almost unlimited. In practice, as the province had to raise most of their money through direct taxation, the Dominion government did not resort to direct taxation until 1917 and it was only the impact of the war at that time which brought such a change about. At the time of the introduction of the income tax in 1917, it is interesting to note that Sir Thomas White made the following remarks in the House of Commons: "The provinces and municipalities are confined to direct taxation and I have not regarded it as expedient, except in cases of manifest public necessity such as I believe exists at the present time, that the Dominion should invade the field to which the provinces are solely confined for the raising of their revenue".

We have been operating all these years with a tax structure designed eighty years ago and which fitted the needs of those times, but bears no relation to the present-day requirements or the demands which are being made, particularly upon our Dominion government for additional services which fall within its jurisdiction.

The antiquated nature of our tax machinery has been recognized by governments in recent years when the increasing services required of the Dominion government and the corresponding increase in taxes have thrown into bold relief those inequalities and inequities which existed for years but which were not of great consequence under the then existing low tax rates.

The Rowell-Sirois report contains an exhaustive survey

of the Canadian tax structure with very definite and specific recommendations as to the corrective steps which should be taken. Various provincial governments have conducted surveys having to do with their own individual provincial tax problems and in recent years more and more business men as well as those engaged in public life have been demanding a re-allocation of the taxing authorities upon some reasonable and practical basis. The appointment of the Ives Commission to study the plight of the shareholders of small businesses and the pensions and annuities problem indicates a realization by the government that some corrective measures are necessary in this field. The appointment of the Co-Operative Commission to study the tax exemptions which have been granted to co-operatives and mutuals is another indication of that realization. The promised legislation as a result of the Ives report and the hoped for legislation which may arise out of the Co-Operatives Commission findings are only at best piecemeal revisions in a tax picture which needs a complete overhaul.

It is generally agreed that tax policies improperly designed may be a most repressing factor in industry and business. At this time when public opinion is unanimous in its demand that jobs be found for war workers and men returning from the services, it is imperative that all taxes which are repressive should be eliminated or reduced to the lowest possible figure. We all know that as a result, partly of the cost of the war and partly due to the social services and other functions now being taken on by the government, our tax bill will be substantially higher than it was in the prewar period. I am not so much concerned at this time with the size or price of the tax garment as I am with the shape. Our tax structure should be designed to collect a given amount with the smallest possible burden on the national revenue.

In my opinion, it is imperative that those taxes which tend to restrict enterprise and discourage initiative should be reduced or abolished without delay. Our tax structure should be designed to encourage the highest possible levels of employment and production. As a step in this direction, and a most important one, I submit that immediate consideration should be given to the reduction or abolition of the 100% excess profits tax, even though budget needs require a relatively high corporate tax rate.

We accountants are concerned not only as individuals but perhaps have had an opportunity of seeing a broader picture of the application of the tax burden and its effect than possibly any other group in the country. Because of this we have a responsibility to make our views known not as to the size of the tax bill but as to the courses which could be adopted with the least harmful effect to the national economy.

Tribute to Officers

This year has been a most interesting and active one and it has been a great pleasure to be associated with the members and officers who were on the council. To those who are retiring I offer the Society's thanks as well as my own for their work during their term of office.

Mr. Camelford served as chairman of the registration committee, which is one of the most important standing committees of this Society. It is in no small part due to his efforts that many of our problems having to do with registration of students and which have been troublesome over a period of years have been cleared up and a constructive policy established.

Mr. Dawson has served on various committees and has made a valuable contribution through his lectures at McGill.

Mr. Knowles, who has acted as chairman of the correspondence course committee, was charged with the responsibility for organizing and starting these courses by the Society. This was perhaps the most important single original piece of work undertaken by the Society in recent years.

Mr. Pierce was chairman of our library committee and served under Mr. Camelford on the registration committee.

Mr. Sharp has had the thankless but extremely important job of arranging for the Society's meetings throughout the year.

I also wish to express the thanks of this Society as well as my own to the advisory committee of past presidents for their assistance and advice and to the members of the special committee which dealt with the proposed Accountants' Bill.

Our Secretary, Mrs. Dixon, and her staff, Miss Mullaly and Miss Gallagher, have dealt with an ever increasing amount of work in a most efficient manner, and, on your behalf, I express to them our most sincere thanks and appreciation.

Our new officers require little if any introduction to this gathering.

Mr. C. G. Wallace, the honorary secretary-treasurer, has acted on council in previous years and brings to his position a wealth of experience.

Mr. A. E. Beauvais, the second vice-president, has just completed a year as honorary secretary-treasurer in which he has been untiring in his efforts on behalf of the Society. In common with the other members of the executive he served on the special committee in connection with the so-called Accountants' Bill and rendered yeoman service.

Mr. F. E. H. Gates, the first vice-president, has been active in Society matters for a number of years. He acted as chairman of the committee which revised the by-laws of the Society a few years ago and last year served as chairman of the legislation committee and also of the membership committee and gave a great deal of his time as a member of our special committee on the Accountants' Bill.

If there is anyone in the Society who is better known to more members than our new president, Colonel P. F. Seymour, I should like to know who it is, therefore I am not going to introduce him, but I intend giving you a very brief biographical sketch. He was born and educated in England and came to Canada a few years before the first World War. He enlisted in 1915 and obtained his commission in the Royal Artillery. On his return to Canada in 1919 he transferred to the Royal Canadian Signals and was the officer commanding Divisional Signals from 1936 to 1940. He is now on the reserve of officers. Colonel Seymour obtained his degree in 1922 and since that time he has taken an active part and interest in the Society's affairs, and particularly in educational work. He probably knows more about the educational requirements and standards than any other single member of the Society. He is now lecturing in accountancy at McGill and is a member of the Dominion Association Board of Examiners-in-Chief. I know of no one better qualified to guide our Society through the problems of the coming year and I congratulate the Society on Colonel Seymour's election and I wish him every success in his term of office.

ADDRESS OF NEW PRESIDENT

By Col. P. F. Seymour, C.A.

I am very appreciative of the confidence you have placed in me in electing me to the presidency of our Society, whose honoured existence has now covered the considerable period of sixty-five years. I hope that its life will be unlimited.

It is a very great honour to be elected to continue the line of distinguished members of the profession who have so ably guided the destinies of the Society in the past.

Anyone who has had the privilege of serving on council knows that this office of president carries with it duties and responsibilities which require a good deal of thought and attention, and, from my experience on council for a number of years I know that those duties and responsibilities have not been taken lightly by any of the presidents under whom I have served. I am sure you will agree with me that the affairs of the Society have received the most unremitting attention of your President, Mr. Hayes, during the last year. In addition to what may be termed the normal activities and certain special projects which have been undertaken due to extraordinary conditions created by the war, the direction of which in themselves, has been a fairly heavy task, the Society was confronted towards the end of the year with a special situation which required immediate and constructive action and the exercise of much thought and discussion in deciding on the best line of action to be taken, and considerable tact in its handling. It is my opinion, shared, I am sure, by those others of our members who took an active part in the meetings and discussions which followed, that Harry Hayes, at the sacrifice of a great deal of time and effort, handled the situation with all that tact for which he is famous, and with what, I think, may be termed a fine sense of balance, and that the action which was taken under his direction was the very best that could have been taken in the interests of our Society.

It has been a great pleasure for all of us on council to have served under Harry Hayes, and I am very fortunate in that, as immediate past president, his advice and counsel will be always available during the coming year.

I should like also to express my appreciation of the very valuable services which have been rendered to the Society by the retiring members of council each and every one

of whom has done grand work and discharged his duties most efficiently.

Current Problems

A few words about the coming year might not be inappropriate before I sit down.

During the year we shall be welcoming back, we hope, a considerable number of members and students who have been away for varying periods in the services.

I am sure we shall want that welcome to be a most cordial one, and that we shall all wish to do everything in our power to make their return to the profession or to the prior period of their training as pleasant as we can make it, and thereby demonstrate in a practical manner our appreciation of their sacrifice for all of us.

A great deal of effort has been expended by members of council and others during the last year or two in the endeavour to provide such a variety of courses as will provide each student with a means to obtain his qualifications which will fit in with his particular circumstances.

The arrangements that have been made will now be put to the test, and a good deal of work will still be required to carry them out and in making them as good as they possibly can be made. A great deal of the actual work of lecturing, correcting papers and so on will necessarily have to be done by members of our Society, and I trust that we will have the enthusiastic co-operation of those members who are particularly well equipped to carry out this very important part of our programme.

You may have noticed in the special rules which have been adopted for returned students that credit may be allowed by council for part-time service in a practitioner's office while the student is taking a course or during the interval between courses. At the expense of some inconvenience it is hoped that the members will afford every facility possible for the returned student to obtain as much practical experience as is possible in the circumstances; and, conversely, that where a student is serving full time and at the same time taking a correspondence course or evening lectures that every facility will be given him to devote the maximum time possible to his studies.

The special committee on the proposed regulation of the profession will endeavour to keep in the closest touch with any developments in the situation and if it is considered

advisable by council, on the recommendation of the special committee, that the Society should take definite action, it is hoped and anticipated that a meeting of the members will be called for the expression of their approval or otherwise to the proposed action.

War Memorial Fund

There is just one other matter I would like to refer to at this time. At the close of the great war, when the membership of the Society was, I imagine, in the neighbourhood of 100, a number of members subscribed to a fund, afterwards known as the War Memorial Fund, this income from which was to be used to provide prizes for students obtaining high standard in an examination. The amount of the fund was \$1,050 and, invested in the 5½% bonds then available, provided an annual income of \$57.50 which was sufficient at that time to provide the prizes which were awarded; in fact for some years the income was in excess of requirements. At maturity of the bonds, the proceeds were re-invested in 4½% bonds, and these were subsequently sold at a considerable premium, realising about \$1,300 which was placed in Dom. of Can. 3% bonds. So that although the capital of the fund has increased the annual income is now only \$39.00, which is quite insufficient to provide for the increased number of prizes now offered. For several years now the ordinary income of the Society has had to be drawn on to make up the deficiency.

I feel that if we are to have a fund for this purpose it should be large enough to furnish a sufficient income to provide reasonably valuable prizes without the necessity of calling on the general funds, and that this is a particularly opportune and appropriate time to augment our War Memorial Fund. It is proposed to form a special committee to consider the matter, and it is probable that the members will have the opportunity of subscribing to this fund, an opportunity of which I am sure a great many of our members will avail themselves.

The Society's Officers

I am most fortunate in the officers and members of council who will support me during the coming year. Mr. Frank Gates, as 1st vice-president will be a tower of strength. I know from experience that practically nothing will prevent him from giving his undivided attention to the affairs of

the Society whenever they require it; and he is an indefatigable worker. Mr. Emile Beauvais, your 2nd vice-president combines with a great capacity for work, a most happy disposition, and he has rendered most valuable services as a member of council and as honorary secretary-treasurer.

Mr. Gordon Wallace is no stranger to council. He has already served as a member, and we are fortunate in having obtained his acceptance to undertake the duties of honorary secretary-treasurer.

Those members of council who remain for another year have shown the keenest interest in the work of the Society and will I know continue to do so. We were sorry to lose Mr. Lowe Ferguson but there has been appointed in his place Mr. Tim Burke who has already proved his worth when a former member of council.

I take this opportunity of welcoming the new members of council—Messrs. Frank Denis, Bob Frewin, G. Birks A. Hall, Cecil Usher and Lucien D. Viau. I haven't much to offer them except work, but I believe they are the kind who thrive on it, and have no doubt they will all prove to be valuable members of council. Mr. Usher has already served for several years as a member of a committee of council, and the chairmen of that committee have been enthusiastic about the valuable work he has accomplished.

In addition to the officers and members of council the Society is particularly fortunate in having retained the services of its permanent staff—Mrs. Dixon, as deservedly popular as she is almost indispensable to our Society, and her efficient assistants, Miss Mullaly and Miss Gallagher.

I hope all the members will feel that the council is administering the Society in their interest, and that they will take a personal interest in its affairs, and feel perfectly free to offer suggestions, constructive criticism and advice. I trust also that they will be able to feel that the Society has a personal interest in each of its members, and that with the growth in our members the direction of the Society is not becoming more impersonal, but rather the opposite.

With the help of the other officers and members of council and the advice of the board of past presidents, I trust that the affairs of the Society will be administered in such a manner during the coming year as will merit your approbation. We will do our best to deserve the confidence you have placed in us.

Current Accounting Literature

By Frank S. Capon, C.A.

ONE of the major specialized problems faced by accountants is the maintenance of proper records of fixed assets. The greater part of the funds of industrial, utility and other companies are invested in fixed operating assets, with the total in Canada alone reaching into the thousands of millions of dollars. Yet, we have made little, if any, progress in establishing standards for property accounts. Many systems are adequate, many are inadequate, and many are cluttered up with useless detail.

Because of this situation, the pamphlet on "Industrial Property Records for Accounting and Valuation Purposes", released recently by the Iowa State College, is most timely. A study has been made of the principles of fixed asset accounting, the uses of property records, the procedures for compiling property records, the determination of construction costs, and also the actual experience and records of many large industrial and utility companies. The results are set out clearly and concisely, and the various main sections are liberally illustrated with schedules and excerpts from various types of property records. This is a major contribution to the literature on the subject of accounting for fixed investment.

The Future of Accounting

Under the heading "The Growing Responsibility of the Accountant", Dean J. H. Jackson of Stanford University has presented an excellent, thought-provoking article in the 15th May N.A.C.A. Bulletin (National Association of Cost Accountants, 385 Madison Avenue, New York). Dean Jackson deals with industrial, cost, and general accounting, internal auditing, and public accounting, going into the responsibilities and possible future developments in some detail under each heading. He calls for major improvements in terminology, techniques, accounting education, and accounting reports, but points to a glowing future for all phases of accounting providing we are capable of measuring up to the requirements.

Cost Accounting in Foreign Countries

In the same bulletin are two articles on cost accounting in foreign countries, one entitled "The Development of

Modern Cost Accounting in Italy" by Professor Amodeo, the other "Cost Accountancy in Britain" by Dr. H. W. Singer of Manchester University. Italian cost accounting was apparently somewhat primitive up to 1930, and since that time it has been largely influenced by German systems. However, recent cost publications by Italians have shown the influence of American theories. In Britain, cost accounting has been well developed for many years, and the trend there is towards the standardization of cost accounting systems by industry, calling for close collaboration and exchange of information between companies. There is also a very definite line between costs and financial accounting in Britain, and this split has been emphasized by the government's close interest in costs as such.

Costs under Decentralized Production

The importance of standard costs under systems of decentralized production is outlined by C. E. Carlson in the 1st June N.A.C.A. Bulletin. Although Mr. Carlson deals in detail with costing problems of a large battery manufacturing concern, most of his procedures are equally applicable to other systems of decentralized production.

"Modern payroll accounting is a must" claims W. C. Lee, in the same bulletin. Under today's complex system of social security laws, payroll tax deductions, union agreements and similar problems, the necessity of maintaining adequate payroll records is more pressing than ever before. Although Mr. Lee is mainly concerned with problems arising out of United States legislation, much of the article is pertinent to Canadian payroll problems.

A special supplement to the 1st June N.A.C.A. Bulletin deals with accelerated amortization under United States certificates of non-necessity. This fifth bulletin in the research series is primarily concerned with United States legislation, but is of general interest in Canada.

Distribution Costs

In the June "Journal of Accountancy" (13 East 41st Street, New York) there is an interesting article by J. B. Heckert on distribution costs. As the author states, what little attention that was paid to distribution costs before the war seems to have been forgotten in the past few years, but accountants never have paid sufficient attention to this important phase of costing. Mr. Heckert discusses the pro-

cedures for recording and analyzing distribution costs, and the importance on comparing actual and standard costs in this field.

Also in the June "Journal of Accountancy" is an article by B. C. White entitled "What is Overhead?" Although Mr. White slates most of the problems surrounding the classification of overhead, as opposed to the distribution, many accountants will not agree with his favourite definition of overhead.

Costs in the Distilling Industry

The May issue of "Cost and Management" (66 King Street East, Hamilton) contains an interesting article by H. C. Cox on "Distillery Cost Accounting". The subject is dealt with in considerable detail, and many illustrative schedules are included. Of particular interest are the methods of accounting for costs and revenues relating to the various by-products which are produced at the different stages of the distilling operation.

Depreciation

"An Engineering Viewpoint on Depreciation Accounting" is presented by E. L. Grant and P. T. Norton in the June "Journal of Accountancy", submitting the case for establishing depreciation rates in the early years of new investment based on the estimated loss in value over a short period. Some of the effects on the nation's economy of too-low tax allowances for depreciation are discussed, but the writers acknowledge that no hard and fast rule for depreciation has yet been established, and that there are points in favour of all the accepted bases.

Accountants in the Transition Period

H. M. Barton, president of the U. K. Institute, recently addressed the Hull and district Society on the problems to be faced by accountants in the transition from war to peace, and the speech is reprinted in the 26th May issue of "The Accountant" (London, England). The need for members on active service to catch up with developments in accounting, taxation and industrial problems is pressing, and Mr. Barton also mentions the desirability for more accountants to enter industry. The profession in Britain is faced with many other problems mentioned by Mr. Barton, and these are approximately parallel to our own problems in Canada.

CHARTERED ACCOUNTANTS CLUB OF OTTAWA

The annual meeting and golf tournament of the Chartered Accountants' Club of Ottawa was held at the Ottawa Hunt and Golf Club on Wednesday, July 4, 1945. As a result of the fine weather on that day approximately 50 golfers took part in the tournament and at the dinner which followed there were about 100 present. Golf prizes were won by the following: Class A: Low gross, B. A. Armstrong; low net, G. E. Grundy. Class B: low gross, H. A. Black; low net, A. Jewkes. Class C: 1st low gross, J. J. Duff; 2nd low gross, F. J. Altimas. Hidden holes: D. L. James, G. L. Stevenson, S. E. Bernier. Consolation: T. N. Kirby. President's Cup, for two lowest net scores in any one membership group: A. S. Merrikin and P. F. D. Ellis of Arthur A. Crawley & Co.

At the annual meeting the retiring president, Mr. A. C. Brittain, acted as chairman and briefly reviewed the year's activities. In the absence of the treasurer, Mr. E. B. McLeod, his report was read by the secretary, Mr. J. E. Clubb. The membership secretary, Mr. P. H. Otterdahl, presented a report which showed that, for the year ended on May 31, 1945, there were 153 paid up members of the Club.

The following members were elected to the board of directors for the ensuing year, the officers to be chosen at a later date:

Representing Dominion government departments, boards etc.: J. F. Broadhead, Armed Forces, National Defence (Air); M. I. Stevenson, Auditor General's Office; R. E. Saunders, Munitions and Supply; J. F. Harmer, National Revenue, Income Tax (Head Office); A. C. Wilson, Wartime Prices and Trade Board.

Representing auditing firms: M. A. Honeywell, of Milne, Honeywell, Burpee & Clarke; A. S. Merrikin, of Arthur A. Crawley and Company.

Representing commercial and other organizations: W. J. Tate, of Bryson Graham Limited.

Provincial News

Alberta

The Institute of Chartered Accountants of Alberta held its thirty-fifth annual meeting at the Palliser Hotel, Calgary, on Saturday, June 23, 1945. The following officers and councillors were elected for the ensuing year: C. K. Huckvale, president; H. E. Howard and R. W. Hamilton, vice-presidents; M. C. McCannel, secretary-treasurer; and J. G. Duncan, K. J. Morrison, W. F. Reid, W. G. Skinner and F. A. Smith. B. G. Aylen was named representative on the faculty of the School of Commerce, University of Alberta. Messrs. Huckvale, Morrison and Reid were appointed to the Council of The Dominion Association of Chartered Accountants, and J. Malcolm Twedde was named honorary auditor.

Rev. J. H. Garden, principal of Mount Royal College, addressed the members at a luncheon meeting which opened the convention, and Deputy Mayor H. R. Chauncey presented certificates of membership to the following who were successful in the December 1944 final examination: H. J. Bishop, John J. Denholm, D. H. Fowler, E. A. Lister, D. A. L. Pait, Harry S. Sead and G. A. Treacy. Mr. Chauncey also presented to John Denholm the Dominion Association gold medal and cheque for \$50 for highest standing in Canada in the final examination, and the Alberta gold medal for honors. Other prizes presented by Mr. Chauncey were: Medal for highest intermediate standing in Alberta, Charles Grineau; primary bronze medal, Walter Phillip Gordon; Institute of Chartered Accountants of Alberta award of \$25 for highest standing in accounting in the School of Commerce, University of Alberta, Miss Mary Souch; Cecil E. Race prize for highest average in Accounting I and II at the University of Alberta, David DeWolf Bentley.

During an afternoon business meeting which followed the luncheon reports showed 100% of students writing law examinations passed; 63.3% were successful in the primary, 66.6% in the intermediate and 41.2% in the final examinations. Fifty-one students are in the armed forces and there are 97 articled clerks in the province. The total membership of the Alberta Institute is 185, including practising, associate practising, non-resident and military.

Prince Edward Island

The twenty-fifth annual meeting of the Institute of Chartered Accountants of Prince Edward Island was held in Charlottetown on Friday, June 15th. Reports of the various committees outlining the year's activities were submitted and approved, and a strong financial position was reported. Agreement was reached on the question of minimum qualifications for registering of students who have served in the armed forces during this war.

The officers for the coming year are as follows: President: T. Earle Hickey; vice-president: Neil W. Higgins; secretary-treasurer: Randolph W. Manning; council members: Harvey E. Crowell, W. J. B. Gentlemen, T. Harold Johnson, William A. Morrell. Mr. Hickey and Mr. Morrell were appointed as this Institute's members of the Dominion Council.

Nova Scotia

The forty-fifth annual meeting of the Institute of Chartered Accountants of Nova Scotia was held at the Lord Nelson Hotel on the evening of June 18th, 1945. Prior to the business meeting the members were the guests of the institute at a dinner.

The meeting was under the chairmanship of Mr. J. C. Nicoll, president of the Institute for the past year. The president's report and the reports of the various committee chairmen were presented to the meeting and adopted.

Three new members, Messrs. C. W. Campbell, F. E. Gates and C. R. Mitchell were admitted during the year.

The following officers and council were elected for the ensuing year: President, F. L. Silver; vice-president, A. I. Barrow; council, R. C. Buchanan, H. E. Crowell, E. M. Davidson, G. W. Dickson, G. E. Hayman, T. Harold Johnson, G. E. Martin, W. A. Morell, H. A. Renouf. In addition to the above, the council includes the immediate past president, J. C. Nicoll, and the immediate past secretary-treasurer, L. E. Peverill. At the first meeting of the newly elected council L. E. Peverill was re-elected secretary-treasurer of the institute.

Quebec

The sixty-fourth annual meeting of The Society of Chartered Accountants of the Province of Quebec was held in

the Prince of Wales Salon, Windsor Hotel, Montreal, on Wednesday morning, June 27th. The address of Mr. H. C. Hayes, the retiring president, appears elsewhere in this issue. The following are the officers and members of council for the year 1945/46: President, P. F. Seymour; first vice-president, Frank E. H. Gates; second vice-president, A. Emile Beauvais; honorary secretary-treasurer, C. G. Wallace; immediate past president, H. C. Hayes. Members of council for two years: Frank T. Denis, Leonard C. Frewin, G. Birks A. Hall, Cecil Usher, Lucien D. Viau. Members of council who still have one year to serve: T. V. Burke, Philip Godfrey, E. C. Leetham, J. M. Miller and Jean Valiquette.

The report of the president and council showed that the membership of the Society at May 31st, 1945, including eighty-seven members in His Majesty's Forces, totalled eight hundred and two, being an increase of forty during the year. Students registered with the society numbered five hundred and sixty-three, including two hundred and thirty-seven students in the active forces. The Canadian Chartered Accountant is being sent at the expense of the Quebec society to all members in the armed forces who wish to receive it.

The correspondence courses in accounting and auditing for students returning from the armed forces are now available and it is expected that courses in law, mathematics and economics will be ready within the next few weeks. As a result of further negotiations with the authorities at McGill University, the correspondence courses in accounting and auditing are also available as refresher courses for registered students who have completed the evening courses at McGill University.

One hundred and thirteen new books and publications were added to the library, which has continued to be used extensively by both members and students.

The council again authorized a grant of \$25.00 to any member or registered student writing an article of two thousand words or over especially for the magazine, accepted by the editor and published by The Canadian Chartered Accountant during the year, and urged members to contribute articles of interest to the profession.

Book Reviews

Dominion of Canada Succession Duties Service. Richard De Boo Limited, 137 Wellington St. West, Toronto, Ont.

A looseleaf service covering succession duties in Canada has been added to the already extensive services published by this firm on Canadian taxation and government affairs. It is priced at \$25 for the complete book to date, and \$6 every six months for future revisions. Divided into ten sections—one each for the Dominion and the nine provinces—it gives the complete text of all statutes, reports all relevant Canadian court decisions including the pertinent judgments of the courts of England and the United States, gives commentary with examples illustrating and explaining the various acts in the light of the law and departmental rulings, and reproduces the various forms used.

The complications and weight of succession duties should make this service valuable to all who have to deal with estates. One interesting point brought out is the special difficulty faced by Quebec solicitors and notaries through the introduction, in the Dominion act, of terminology and concepts new to the Quebec civil law.

THE AUTHOR'S OMISSION

By G. E. F. Smith, C.A.

Now, making out my tax return
Comes easily enough.
I merely spend a week with Smith
And wade through Gilmour's stuff.
Of points stressed by McMichael I
Collect a useful list;
Then once again I read all three
To pick up facts I've missed.

It's not my income tax return
That, yearly, drives me wild,
The books all show the form can be
Filled in by any child.
But what enrages me is that
Each author's volume lacks
The information where to find
The cash to pay the tax.

Personals

J. A. M. Price and G. F. Cameron announce that the partnership of Price, Cameron and Company of Victoria, B.C., was dissolved effective May 31, 1945. Mr. James Price, C.A., is now practising his profession under the name of James Price and Company, 618-9 Central Building, Victoria, B.C.

Messrs. Henry Glover and Company, Federal Building, Toronto, announce that Henry S. Glover, C.A., has retired as a member of the partnership.

Maxwell Goldhar, C.A., and John Coleman Sears, C.A., have formed a partnership and will carry on their practice under the firm name of Goldhar, Sears and Company, chartered accountants, with offices at 156 Yonge St., Toronto, and at 201 Notre Dame West, Montreal.

William D. Sumner, chartered accountant, Montreal, announces the removal of his office to Suite 605, Shaughnessy Bldg., 407 McGill St.

Obituaries

The Late Christopher Alexander Fleming

The Institute of Chartered Accountants of Ontario regrets to announce the death of Christopher Alexander Fleming at Owen Sound on April 12, at the age of 88.

Mr. Fleming was admitted to the Ontario Institute in 1895 and was granted a fellowship in 1903. He served as a member of Council in 1921. He had been active in business in Owen Sound for more than sixty years and was at his office daily until two months prior to his death. He was president of the Fleming Publishing Company, the Grey and Bruce Trust and Savings Company, and Richardson, Bond and Wright, Limited. He was a director of the Cornwall Daily Standard-Freeholder and radio stations CKSF, Cornwall, and CFOS, Owen Sound. One of his chief interests in Owen Sound was the Northern Business College which he founded in 1881 and of which he was principal until 1936.

Mr. Fleming is survived by three sons and four daughters, to whom the Institute extends sincere sympathy.

The Late Robert Randolph Thompson

The Society of Chartered Accountants of the Province of Quebec regrets to announce the death of Lt.-Col. Robert Randolph Thompson, M.C., V.D., A.C.A. (Eng.), C.A., at the age of 62 on July 10, 1945, following a long illness.

Born in Liverpool, England, R. R. Thompson became a member of the Society of Chartered Accountants of England and Wales and came to Canada in 1921 as assistant professor of accountancy at the School of Commerce, McGill



R. R. THOMPSON

University. In 1926 he was appointed associate professor and in 1928 became professor of accountancy. Due to ill health he retired from this post at the university in 1944.

During his years at the university Professor Thompson devoted every energy to building up the School of Commerce, and it is largely due to his efforts that the school attained its present standing. His main desire was to foster contact between the university and the accounting profession, and in this aim he succeeded to an admirable extent.

He served for many years as an examiner of the Society of Chartered Accountants of the Province of Quebec, and

OBITUARIES

in addition to his work among chartered accountants and students, he took an active interest in the early development of the Canadian Society of Cost Accountants, serving on its board of directors and as its president.

During the first world war, Col. Thompson served with distinction with the 5th Argyll and Sutherland Highlanders, seeing service in Gallipoli, the Sinai and Palestine. He was awarded the Military Cross, presented to him by the late King George V, and was twice mentioned in dispatches. After the war he was appointed official historian of the 52nd (Lowland) Division, and his history has been widely read.

Remaining interested in military matters, he was the officer commanding the McGill C.O.T.C. from 1921-26, and in the summer prior to the outbreak of world war II he spent nine weeks in England attached to various military units and military schools, including the staff college at Camberley. In the early days of this war he devoted a large portion of his time to the training of officers for the Canadian army, and gave a series of evening lectures under the auspices of the McGill C.O.T.C. for army officers who wished to be brought up to date on new armaments. For many months Col. Thompson wrote "The War in Review" which appeared in the monthly publication of the Canadian Legion.

Professor Thompson is survived by his wife, the former Margaret Collins Duncan and two brothers in England. To his wife the Society extends its sincere sympathy.

STUDENTS' DEPARTMENT

R. G. H. SMAILS, C.A., Editor

NOTES AND COMMENT

Mr. George O. May devoted the final chapter of his book "Financial Accounting" (Macmillan, New York, 1943) to a study of the influence of regulatory commissions and similar bodies upon accounting principles—and came to the general conclusion that this influence was baneful. Perhaps we may be pardoned an extended quotation from pp. 257-258 of the text: "Already we see commissions which are vested with policy-making, regulatory and quasi-judicial functions seeking freedom from legal restraints by asserting the higher authority of accounting principles, old and new, laid down by them and based supposedly on considerations of equity or economic reality. They next undertake to relax the application of such principles as a matter of regulatory expediency or administrative policy. Thus with the aid of legal presumptions of administrative expertness and impartiality, accounting may be made superior to law but still remain the not too rigid implement of policy. Acceptance of some postulates of accounting, such as those of its utilitarian character and the stability of the monetary unit, and disregard of others, such as those of continuity and consistency, have resulted in the development of concepts of accounting new in the field in which they are applied, of which original cost and straightline depreciation in the utility field, discussed in earlier chapters, are perhaps the most notable. If the procedure is challenged in the early stages the defense is that only methods of recording and no substantive rights are involved. But once the record is established it is made the basis of orders which affect rights but are in practice almost irreversible."

In our own country it is the federal income tax department rather than any regulatory commission which exerts the greatest pull on accounting practice. We have always deplored the subservience of the accountant's measure of periodic income, developed over the centuries to give a result of general utility, to the income tax measure of income which has been developed to give a result suitable for a very specialized purpose and which is in many re-

spects quite arbitrary. But apparently we are fighting on the losing side for at the annual meeting of an important Canadian industrial company this year the Chairman, in answer to questions why depreciation had not been provided in full during the depression years made in turn the following remarks, "[The Company] provided for all the depreciation they are permitted under the Income Tax, this year and the past years as well, if they had the earnings with which to do it" "The question asks or suggests, that this year, in view of our good earnings, that we should have made an additional allowance for depreciation over and above the amount permitted by the Income Tax Authorities" "The Company had one or two fair years in which the full amount of depreciation permitted by law was taken" "the full amount of depreciation was taken up to the extent we are allowed by law". (The italics are our own.)

Shareholders of many Canadian companies will have to face some heavy capital losses in the process of post-war readjustment if the attitude indicated by these remarks is common to corporate management so that the amount charged for depreciation never exceeds the amount deductible for income tax purposes.

* * *

At the same annual general meeting the shareholders sought with indifferent success (to judge by the report) to elucidate the significance of a statement by the auditor that the balance sheet exhibited a true view etc. of the Company's affairs "after making provision of \$..... on account of depreciation for the year". One shareholder remarked, "Yes, but the way it reads, sufficient depreciation was not charged in the opinion of the auditors." The auditor, who was present at the meeting, stated: "The amount for depreciation is fully disclosed in the accounts. There would be no point in taking additional depreciation that could not be taken for tax purposes. The situation is clearly indicated in the Balance Sheet which shows the value that will still be depreciated for tax purposes." The last remark quoted has reference to the statement in the balance sheet of buildings, machinery and equipment at a net book value of \$13.6 million dollars and an indented note to the effect that, "The net property value subject to

future depreciation for income tax purposes is approximately \$8.2 million dollars". An experienced accountant may have no difficulty in grasping the significance of this note but we doubt whether it conveyed very much to the typical shareholder.

* * *

PUZZLE

There were two promising applicants for a position in an accountant's office. The personnel manager addressed them in the following way, "Your salaries are to begin at the rate of \$1,000 per year, to be paid every half year. If your work is satisfactory and we keep you, your salaries will be raised. Which would you prefer, a raise of \$150 per year or a raise of \$50 every half year." The first applicant said he would accept the first alternative; the second, after a moment's reflection, chose the second. Which of the two applicants would be given the position if mental alertness rather than modesty was the chief requirement?

* * *

ANSWER TO LAST MONTH'S PUZZLE

To tell what the numbers thought of are, subtract 15 from the answer. Then the digit in the tens place is the first number thought of, and the digit in the units place is the second number thought of.

In algebraic language:

$$(2a+3) 5+b=10a+b+15$$

* * *

STUDENTS' ASSOCIATION NEWS

Quebec

The annual meeting of the Chartered Accountants Students' Society of the Province of Quebec was held on May 22nd, and the following officers were elected: Honorary presidents: H. C. Hayes, C.A., P. F. Seymour, C.A., J. C. Newland, C.A.; president: A. W. Hamilton, C.A.; vice-presidents: A. H. Wait, C.A., Paul Fournier, C.A.; treasurer: E. McNeil, C.A.; secretary: Jos. Ste. Marie, C.A.; committee: F. J. Bastien, A. L. Bell, Miss T. Goodwin, V. Houghton, C.A., F. Knowles, C.A., S. Kwiat, G. F. Lafferty, C.A., A.M. Macaskill, R. R. Pouliot, C.A., Paul Verner, C.A., plus two representatives of senior council.

STUDENTS' DEPARTMENT

The annual report was presented, showing the progress made during the year. The membership of the Students' Society increased by 64, making a total of 905, composed of 559 registered students, 316 chartered accountant members and 30 graduate and associate members.

Additional funds were set aside in the "Post-War Planning Fund" and adequate educational facilities are being arranged by the senior council for registered students returning from the armed forces.

THE CANADIAN CHARTERED ACCOUNTANT has been sent to all student members in the services who expressed a desire to receive it. Copies of the annual report and new rules governing students returning to civil life have recently been mailed to them. Cigarettes were also sent during the year to 113 students serving overseas.

The good news has been received that Grant McRae and Harry Shrybman, both of whom were prisoners of war in Germany, have been released.

Copies of Volume IV of Examination Problems and Solutions are available at the Society's office.

PROBLEMS AND SOLUTIONS

EXAMINATIONS OF THE PROVINCIAL INSTITUTES OF CHARTERED ACCOUNTANTS

Solutions presented in this section are prepared by practising members of the several provincial Institutes and represent the personal views and opinions of those members. They are designed not as models for submission to the examiner but rather as such discussion and explanation of the problem as will make its study of benefit to the student. Discussion of solutions presented is cordially invited.

PROBLEM I

INTERMEDIATE EXAMINATION, DECEMBER 1944

Accounting I, Question 9 (25 marks)

A. B. COMPANY LIMITED

BALANCE SHEET ITEMS

31st December 1942

Assets	
Cash and bank	\$ 4,765
Accounts receivable	99,645
Inventory	
Raw material	54,757
Finished goods	44,486
Office furniture and fixtures	9,650
Land	70,000
Buildings	140,000
Machinery	240,000

THE CANADIAN CHARTERED ACCOUNTANT

Liabilities	
Accounts payable	\$ 17,919
Mortgage Bonds—	
20 years at 6%, dated 1st January 1942 ..	75,000
Bond interest accrued	4,500
Reserves	
Bad debts	4,715
Depreciation	28,465
Share capital	450,000
Surplus	82,704
	<hr/>
	\$663,303 \$663,303

The transactions for the year 1943 were as follows:

Cash received from customers	\$764,324
Rent received	1,200
Purchases, raw materials—	
1,547,346 lbs. @ 21c per lb.	324,943
Sales	750,465
Discounts and allowances on sales	21,741
Bad debts written-off	4,500
Disbursements	
Accounts payable	295,979
Bond interest	4,500
Factory expense	6,985
Wages—factory	275,475
Repairs	16,789
Office expense	23,450
Selling expenses	47,695
Salaries	55,690
Taxes	10,762

Inventory, 31st December 1943

Raw materials, 465,695 lbs., having a market value of 23c per lb.
Finished goods—\$35,652.

In January 1943, the warehouse containing the raw material was destroyed. The building was a total loss and cost \$20,000. It was insured for \$15,000. The raw material in the building was 565,768 lbs.; cost 21c; market on date of fire 20c; insurance carried \$85,000; salvage \$4,550.

The insurance companies paid the losses on adjustment, but the building was not replaced. All insurance carried under the 80% co-insurance clause.

Depreciation Rates:

2½% on buildings

10% on machinery and 10% on office furniture and fixtures

The company commenced operations 1st January 1942.

Required:

(Calculate to nearest dollar.)

Bring reserve for doubtful accounts up to 5% of accounts receivable.

Disregard any provision for income tax.

Prepare statement of manufacturing and trading and profit and loss for 1943 and balance sheet as at 31st December 1943.

STUDENTS' DEPARTMENT

A SOLUTION

Insurance required for 80% co-insurance agreement:

Raw material—565,768 lbs. @ 20c per lb.	\$113,153.60
80% of above	90,522.88
Company is co-insurer for	5,522.88

The loss exceeds the amount of insurance and, therefore, the co-insurance clause is inoperative.

Loss is figured on replacement values, not on cost values.

Inventory on 31st December must be taken at 21c or cost, not at 23c, the cost at date of inventory.

465,695 lbs. @ 21c \$ 97,795.95

Interest on bonds was paid in 1943, but an additional amount became due on 1st January 1944, or 31st December 1943.

FIRE LOSS—BUILDING

Building burned	\$ 20,000.00	
Reserve for depreciation		\$ 500.00
Insurance received		15,000.00
Loss carried to surplus		4,500.00
	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>

FIRE LOSS—MATERIAL

Cost of material	\$118,811.28	
Salvage		\$ 4,550.00
Insurance received		85,000.00
Loss carried to surplus		29,261.28
	<u>\$118,811.28</u>	<u>\$118,811.28</u>

SURPLUS

Balance, 1st January 1943		\$ 82,704.00
Fire loss—Building	\$ 4,500.00	
Raw material	29,261.28	
Trading profit		81,374.32
Balance, 31st December 1943	130,317.04	
	<u>\$164,078.32</u>	<u>\$164,078.32</u>

JOURNAL ENTRIES, 31st DECEMBER, 1943

Fire loss Dr.	\$ 20,000.00	
To Buildings		\$ 20,000.00
Transfer of cost of building destroyed by fire.		
Fire loss Dr.	118,811.28	
To Raw materials		118,811.28
Transfer of cost of raw material lost or damaged in fire 565,768 lbs. @ 21c.		

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Raw material Dr.	4,550.00	
To Fire loss		4,550.00
Salvage of raw material.		
Reserve for depreciation Dr.	500.00	
To Fire loss		500.00
Being transfer of amount of reserve on buildings destroyed by fire.		
Cash Dr.	100,000.00	
To Fire loss—Building		15,000.00
Raw material		85,000.00
Amount recovered from insurance company.		
Surplus Dr.	33,761.28	
To Fire loss—Building		4,500.00
Raw material		29,261.28
Transfer of balances.		

A. B. COMPANY LIMITED

**STATEMENT OF MANUFACTURING COSTS FOR THE YEAR
ENDED 31ST DECEMBER 1943**

<i>Raw materials</i>		
Inventory, 1st January 1943		\$ 54,757.00
Purchases		324,942.66
		<u>379,699.66</u>
Deduct: Fire loss	\$114,261.28	
Inventory, 31st December 1943..	97,795.95	212,057.23
		<u>167,642.43</u>
Cost of raw materials used		275,475.00
Factory wages		
<i>Factory Overhead</i>		
Repairs	\$ 16,789.00	
Factory expense	6,985.00	
Depreciation	27,000.00	
Taxes	10,762.00	61,536.00
		<u>\$504,653.43</u>
Cost of goods manufactured		

**STATEMENT OF TRADING AND PROFIT AND LOSS
FOR THE YEAR ENDED 31st DECEMBER 1943**

Sales	\$750,465.00	
Less: Discounts	21,741.00	\$728,724.00
		<u>Cost of sales</u>
Inventory of finished goods 1st January 1943	44,486.00	
Costs of goods manufactured	504,653.43	
		<u>549,139.43</u>

STUDENTS' DEPARTMENT

<i>Less</i> Inventory of finished goods 31st December 1943	35,652.00	513,487.43
Gross profit		215,236.57
Add: Rents received		1,200.00
		<u>216,436.57</u>
<i>Deduct Expenses</i>		
Salaries	55,690.00	
Selling expense	47,695.00	
Office expense	23,450.00	
Bond interest	4,500.00	
Loss by bad debts	2,762.25	
Depreciation of office furniture	965.00	135,062.25
Net profit carried to Surplus		<u>\$ 81,374.32</u>

A. B. COMPANY LIMITED

BALANCE SHEET AS AT 31st DECEMBER 1943

ASSETS

<i>Current</i>			
Cash		\$132,964.00	
Accounts receivable	\$ 59,545.00		
<i>Less:</i> Reserve for bad debts ..	2,977.25	56,567.75	
<i>Inventories</i>			
Raw materials	97,795.95		
Finished goods	35,652.00	133,447.95	\$322,979.70
<i>Fixed</i>			
Land		70,000.00	
Buildings	120,000.00		
Machinery	240,000.00		
Office furniture	9,650.00		
	369,650.00		
<i>Less:</i> Depreciation reserve ...	55,930.00	313,720.00	383,720.00
			<u>\$706,699.70</u>

LIABILITIES

<i>Current</i>			
Accounts payable	\$ 46,882.66		
Bond interest accrued	4,500.00	\$ 51,382.66	
<i>Mortgage bonds</i>			75,000.00
<i>Capital and Surplus</i>			
Share capital	450,000.00		

THE CANADIAN CHARTERED ACCOUNTANT

Surplus

Balance at 1st January 1943 \$ 82,704.00

Add: Profit for the year

to date 81,374.32

164,078.32

Deduct: Fire losses

33,761.28

130,317.04

580,317.04

\$706,699.70

PROBLEM II

FINAL EXAMINATION, DECEMBER 1944

Accounting II, Question 1 (25 marks)

The general manager of The Long Range Company, one of your clients, is dissatisfied with the monthly statements which he receives and has asked you to see that his accounting department provides him with monthly statements that will be reasonably accurate. The form of the statements which he now receives is satisfactory but the profit shown at the end of the year by the company's audited annual statements is always quite different from the profit shown on the monthly statements he has received from his accounting department.

The company manufactures 15 different models of electric ranges, 10 different models of gas ranges and 5 different models of refrigerators. In addition, it has a considerable volume of sales of repair parts. The present monthly statements are prepared to show separately the profit from each of electric ranges, gas ranges, refrigerators, electric range repair parts, gas range repair parts and refrigerator repair parts. In the past the cost of sales of each of the products and of repair parts has been determined for purposes of the monthly statements by taking a predetermined percentage of sales based on the previous year's experience.

You find that although the rate of profit on repair parts remains fairly consistent at approximately 35% of selling price, a substantial portion of free repair parts is supplied on no charge invoices. The margin of profit on ranges and refrigerators varies considerably with the models sold. You also find that the retail selling prices of the ranges and refrigerators are based on estimated costs prepared by the factory engineering department, which are very accurately computed and which are changed every time there is any material change in material, labour or overhead costs. The company's year-end inventory is priced to show separately the component parts—material, labour and overhead.

Required:

List the points to be covered in a letter to the chief accountant of the company outlining:

(a) The information which the accounting department will require to cost each month's production and sales properly, indicating the source of this information.

(b) The way in which this information will be used by the accounting department in preparing the monthly journal entries required to reflect the estimated costs in the books.

STUDENTS' DEPARTMENT

An Answer

- (a) *Information which the accounting department will require to cost each month's production and sales properly*

- (i) From the engineering department—

The cost of each model of electric and gas range and refrigerator manufactured, showing material, labour and overhead separately. The engineering department will notify the accounting department each time there is any change in these costs.

A percentage analysis of the composite cost of each of electric range, gas range and refrigerator repair parts into material, labour and overhead based on the previous year-end inventory.

- (ii) From the production department—

Monthly production figures by models for all ranges and refrigerators produced each month.

- (iii) From the sales department—

Analysis of sales each month summarized to show:

- (a) Number of units of each model of range or refrigerator sold.

- (b) Dollar value of repair parts sold showing separate totals for electric range repair parts, gas range repair parts and refrigerator repair parts.

Analysis of free repair parts and other no-charge invoices summarized to show number of units of each type of range and refrigerator supplied free and the dollar selling value of no-charge repair parts showing separate totals for electric range repair parts, gas range repair parts and refrigerator repair parts.

- (b) *Way in which cost information will be used by accounting department*

- (i) A card will be prepared for each model of range and refrigerator manufactured on which will be entered the material, labour, overhead and total cost of that model. These cards will be changed each time there is any change in costs. Each card will be ruled as an inventory card to show the number of units of finished stock on hand at the end of any month, indicating debit, credit and balance for both units and dollar value. At any time a trial balance of the dollar balances on these cards should agree with the finished stock control accounts in the general ledger.

- (ii) The costs shown on these cards for each model will be multiplied by the month's production of that model to obtain the material, labour, overhead and total cost of the number of units of that model completed during the month. These costs will then be summarized and used in preparing the following monthly journal entry:

Dr. Finished stock—Electric ranges
Gas ranges
Refrigerators

Cr. Material
Direct labour
Factory overhead absorbed

(To transfer the estimated cost of production for the month to finished goods.)

- (iii) The number of units of each model of range and refrigerator sold during the month will be multiplied by its total cost

THE CANADIAN CHARTERED ACCOUNTANT

as shown on the cards. These costs will be totalled for electric ranges, gas ranges and refrigerators and used in preparing the following monthly journal entry:

Dr. Cost of sales—Electric ranges

Gas ranges

Refrigerators

Cr. Finished stock—Electric ranges

Gas ranges

Refrigerators

(To charge cost of sales with the estimated cost of finished goods sold during the month.)

- (iv) The cost of sales (i.e. 65% of the dollar sales value) of electric range repair parts, gas range repair parts and refrigerator repair parts will be divided into the component parts of material, labour and overhead by applying the percentages supplied by the engineering department. The data so obtained will then be summarized and used in preparing the following monthly journal entry:

Dr. Cost of sales of repair parts—Electric ranges

Gas ranges

Refrigerators

Cr. Material

Direct labour

Factory overhead absorbed

(To charge cost of sales with the estimated cost of repair parts sold during the month.)

- (v) The cost of finished goods and repair parts supplied on no-charge invoices will be ascertained and summarized in the same way as sales (see (iii) and (iv) above) and used in preparing the following monthly journal entry:

Dr. Electric range free repairs

Gas range free repairs

Refrigerator free repairs

Advertising

Etc.

Cr. Finished stock—Electric ranges

Gas ranges

Refrigerators

Material

Direct labour

Factory overhead absorbed

(To credit inventory accounts with the estimated cost of repair parts and finished goods supplied on no-charge invoices during the month.)

- (vi) If the company maintains its own service department, repair parts used by this department during the month and credited to service department sales should be analyzed by the sales department, costed and summarized by the accounting department and the following journal entry recorded in the books:

Dr. Electric range service—material

Gas range service—material

Refrigerator service—material

Cr. Material

Direct labour

Factory overhead absorbed

(To charge service costs with the estimated costs of repair parts used during the month.)

STUDENTS' DEPARTMENT

CORRESPONDENCE

DISCUSSION OF PROBLEM SOLUTIONS

Issue of June, 1945, Problem III.

Port Arthur, Ontario
June 15, 1945

The Editor,
The Students' Department.
Dear Sir:

The June issue of "The Canadian Chartered Accountant" presents a solution to question 3, Accounting I, Final 1944 in which I am interested, particularly since I wrote the examinations of which this problem formed a part.

Under the heading "Selling and Administrative Expense" is shown "Salesmen's Salaries and Commissions \$20,000". In answering this problem I showed this item as \$30,000 and I yet fail to see where I am in error.

The item in question applies to the original 80,000 tons of rock sold. No break-down of the \$30,000 as between salaries and commissions paid is given or inferred.

No inference is apparent, that a reduction, if any, in the sales staff would reduce the costs concerned in selling the stone (80,000 tons).

The 15% commission applies only to the additional 10,000 tons of rock sold or expected to be sold.

Should I be overlooking some point I would appreciate being informed of same.

Yours sincerely,
(Signed) D. C. McLean

Montreal, Quebec
June 18, 1945

The Editor,
The Students' Department.
Dear Sir:

Regarding the solution to Problem III of the June issue I cannot see what factors have caused the Salesmen's Salaries and Commissions item to fall from \$30,000 down to \$20,000, while the sales figure (\$300,000) remains the same.

Yours truly,
(Signed) Leon-Paul Gingras

Montreal, Quebec
June 21st, 1945

The Editor,
The Students' Department.
Dear Sir:

May I compliment you belatedly on the introduction of the monthly puzzle in the Students' Department. I am sure it has and will greatly increase the interest of the students in this department.

I am, however, somewhat surprised at this month's puzzle. In my opinion, this puzzle is a mental arithmetic problem for a seventh

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grade student; and unworthy of inclusion in an accounting students' magazine.

The answer of course is 35c to the one with five sandwiches and five cents to the one with three.

In regard to the solution of Problem III in the June issue there seems to be no mention of the salesmen taking a cut of \$10,000. Or, is the manager going to replace one or more? And if so what effect will it have on sales and net profit? The foregoing does not seem to be borne out by the remainder of the solution. From the problem it would appear that the manager is to receive \$10,000 for doing nothing as indemnity for breach of contract.

Irrespective of the foregoing, there is an error in section (b) part (1). The first mention of \$26,250 should be \$16,250. This may be an error made by the proofreader.

As to key men, there seem to be none engaged in the block plant, or there would not be a manager. With regard to salesmen's salaries and commissions "key men" may be represented there, but we have no information to that effect. They may also appear among office salaries, but I doubt whether "Key men" would appear among "miscellaneous general expenses".

It is a few months since I first wrote to your department, and looking back I see that I now wrote enough to last me for another few months. I would, however, like to see other students' views on this and other problems. Let us hope there will be many and perhaps not as lengthy.

Yours truly,
(Signed) H. Gillman

[The practising member who prepared the solution to Problem III of the June issue remarked, when the point common to all three of the above letters was called to his attention: "I can find no reason whatever for reducing the figure of \$30,000 for salesmen's salaries and commissions to \$20,000. There is certainly nothing in the wording which would indicate to the candidate that he should make such reduction." Our correspondents have therefore discovered an error in the published solution for which we must share responsibility with the author of the solution. It should not be necessary to add an assurance that no candidate in the examination could be prejudiced by an error in a solution which was published six months after the examination was held.

We appreciate Mr. Gillman's general reference to the puzzle section and can only ask his indulgence if from time to time we state a puzzle which we can ourselves solve. **EDITOR.]**